

UNDERSTANDING INDONESIAN EMPLOYMENT SOCIAL SECURITY
(*JAMSOSTEK*) (NON)PARTICIPATION: EXPLORING PERSPECTIVES OF
EMPLOYERS, WORKERS, AND POLICYMAKERS

by

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ABSTRACT

Through social security reform in 2014, Indonesia demonstrated its commitment to achieving universal social security. However, the employment social security (*Jamsostek*) participation rate, which was still below 30% of the working population in Indonesia in 2020, indicates that this objective has not been met. A literature review reveals a gap in academic study examining the reasons for this low *Jamsostek* participation. This thesis therefore explores what reasons lead to the level of participation in Indonesia's employment social security.

This study employed qualitative interviews with forty individuals from three different groups: employers, workers, and policymakers. The data analysis used thematic methods guided by a theoretical framework developed based on prior research.

The analysis found that formal and informal employers and employees stress distinct reasons for *Jamsostek* non-participation. Law enforcement ambiguity, lack of information, administrative complexity, unfavourable social norms, and workers' subservience to employers were seen as barriers to *Jamsostek* participation. Meanwhile, the level of contribution payment was not a concern for most respondents. The ambiguity of regulations, the ambiguity of authority, and the challenges of inter-institution coordination have hampered the government's efforts to realise the ideals of universal coverage so that most micro and informal workers continue to rely on non-state welfare provision arrangements.

This thesis adds to the sparse scholarly publications of up-to-date information about the employment social security situation in Indonesia. It is likely the first qualitative research on *Jamsostek* participation to include employers, workers, and the government.

Futhermore, this study employs a theoretical framework built from previous studies and is combined with empirical data analysis results to construct a framework that may explain the causes for low *Jamsostek* participation from the viewpoints of employers, employees, and the government. As a result, stakeholders may utilize the framework to gain a more complete picture of the situation and develop recommendations for increasing *Jamsostek* participation in Indonesia.

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CHAPTER 1. INTRODUCTION

1.1. Introduction

The provision of social protection is one of the key international agenda items agreed upon by the majority of nations to accomplish the Sustainable Development Goals (SDGs) (United Nations, 2015). In 2015, members of the United Nations gathered in a general assembly and agreed on a package of resolutions outlining a 15-year plan to achieve the SDGs. One of the joint resolutions calls for the establishment of a social protection system and efforts to expand its scope of participation. Goal 1 item 1.3 of the resolution mentions that governments should:

“Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.”

Long before the resolution was passed, social security participation has been seen as a human right (United Nations, 1948) and is regarded as an essential governmental system, particularly after World War II. On December 10, 1948, nations’ representatives assembled in Paris to announce the Universal Declaration of Human Rights, which included the right to social security in article 22 (United Nations, 1948):

“Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality.”

Following the declaration, the International Labour Organization (ILO) recommended, in Convention No. 102 of 1952, that all countries around the world provide basic protection to all citizens. This Convention is the international instrument for social security administration, establishing agreements among member states on minimum standards for the implementation of nine social security programmes.

The SDGs, the UN Declaration, and the ILO Convention are a few indications of how the international community encourages governments to prioritise social security development within their national agendas.

Today, governments throughout the globe have largely implemented social security programmes and many see them as a necessary national agenda for addressing social problems and promoting social goals (ILO, 2017; McKay and Rowlingson, 1999; Millar and Sainsbury, 2018). It is part of every government's programme to safeguard the well-being of its people; as Spicker (2000) asserts, legitimate governments protect the welfare of their population.

Indonesia, as a member of the international community and international institutions such as the United Nations and the International Labour Organization, is not lagging behind in terms of implementing social security programmes. Instead, Indonesia appears to be working toward universal social security coverage, as evidenced by social security reforms that have been in effect since 2014. The reform resulted in legislation that requires social security protection for all Indonesian citizens and workers.

However, despite the fact that the reform has been in effect for more than seven years, Indonesia has yet to achieve the universal coverage as aspired to by the

constitution. Specifically, low participation rates have been observed in employment social security (*Jamsostek*¹), and at the end of 2020 it only covered 28.5% of the targeted working population.

Table 1.1 Jamsostek participation coverage

	2014	2015	2016	2017	2018	2019	2020
Participation coverage rate	18.16%	20.63%	23.36%	25.97%	29.36%	31.99%	28.54%
Wage-earning (formal) worker	39.08%	43.98%	47.27%	52.35%	58.00%	61.79%	60.14%
Non-wage earning (informal) worker	1.35%	0.57%	2.66%	3.16%	4.32%	4.85%	4.20%

Source: Author's analysis (see section 2.6 for more details)

This low coverage leads to the question of why there is still a lack of *Jamsostek* participation. Learning from existing studies is one approach to answering the question. However, the literature review found that there has not been a lot of research into social security in Indonesia. Some studies were done before the 2014 social security reform and cover social security in general (Esmara and Tjiptoherijanto, 1986; Ravallion and Dearden, 1988; Ramesh and Asher, 2000; Arifianto, 2004; Sumarto *et al.*, 2008; Suryahadi, 2014), while current studies are more concerned with health insurance (Aspinall, 2014; Cao, 2016; Dartanto *et al.*, 2016; Jung, 2016). The work of Dartanto *et al.* (2016), which examines the variables that impact social security participation, is likely the most relevant to this research topic. His research, however, was limited to healthcare social security and employed a quantitative approach; thus it did not dive further into the reasons for non-participation behaviour.

¹ *Jamsostek* is an acronym taken from “Jaminan Sosial Tenaga Kerja”, which means “employment social security”. It is also the popular name for it. Hence, the term *Jamsostek* is used throughout this thesis to refer to Indonesian employment social security.

In this respect, this thesis adds to and updates the limited research on the implementation of employment social security in Indonesia, as well as more broadly augmenting existing studies on social protection in Indonesia. Furthermore, this is likely to be the first academic research to use a qualitative approach to specifically study *Jamsostek* participation. This thesis focus on the *Jamsostek* participation issues and aims to provide an answer as to why employers and workers do not participate in the programmes.

1.2. *Jamsostek* participation rate and Indonesia's pledge towards social security universal coverage

The social security reforms that went into effect in 2014 can be interpreted as a sign of Indonesia's progress toward providing social security to all of its citizens. The reform began with the amendment of the 1945 Constitution of the Republic of Indonesia (UUD 1945²) in 2002. For the first time, Indonesia mentioned the term 'social security' in its constitution manuscript. UUD 1945's article 28H (3) declares social security as the right of every citizen, and article 34 (2) mandates the government to effectuate social security programmes for all citizens in Indonesia.

Article 28H (3):

“Everyone has the right to social security that allows his/her development as a dignified human being.”

Article 34 (2):

“The state develops a social security system for all the people and empowers the weak and underprivileged in accordance with human dignity.”

² UUD 1945 is the supreme source of law in Indonesia, and all authorities must be submissive to it.

Since the UUD 1945 is the supreme source of law in Indonesia, the amendment in 2002 made social security a constitutional right for every Indonesian citizen and also a constitutional obligation for the ruling.

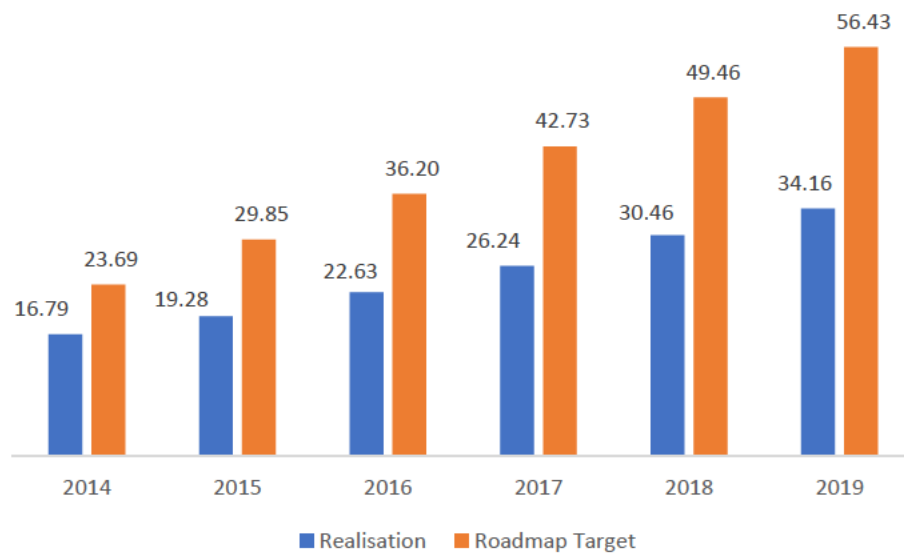
Following the amendment, the Indonesian government and parliament passed a number of laws to govern the implementation of social security in the country. Law No. 40/2004 is among the most important policies since it sets out the national social security system. This law asserts that everyone has the right to social security, and it refers to five programmes: health benefits, work-related accident benefits, old-age benefits, pension benefits, and death benefits. In its implementation, social security is divided into two groups: health social security and employment social security (*Jamsostek*), with health social security covering health benefits and *Jamsostek* covering the other four programmes.

However, although several years have passed since the reform went into effect in 2014, there is still a participation coverage gap. The low coverage is more visible in the *Jamsostek* programmes (death, work accident, old age, and pension) compared to the healthcare social security programme. At the end of 2020, 82.33% of the Indonesian population were registered in the national health social security programme (BPJS Kesehatan, 2021). On the other hand, at the end of 2020, the *Jamsostek* participation coverage rate only reached approximately 28.5% (see Chapter 2, section 2.6). This indicates that more than 70% of Indonesian workers do not have access to employment social security benefits.

Indeed, the number of *Jamsostek* participants has grown each year consistently since the reform in 2014. At the end of 2014, *Jamsostek* participants totalled 16.79

million people; at the end of 2019, the number had grown to 34.16 million (see Graph 1.1). Nevertheless, when compared to the central government’s expectations, as indicated in the Roadmap of Employment Social Security Administration,³ the growth rate is not as favourable as it appears. Figure 1.1 below shows that the number of workers enrolled in *Jamsostek* programmes from 2014 to 2019 never met the Roadmap target.

Figure 1.1 *Jamsostek* participation⁴: Realisation vs Roadmap target
(in million people)



Source: Author’s analysis. Processed based on Annual Sustainability Report (BPJS Ketenagakerjaan, 2020; 2021) and Roadmap of Employment Social Security Administration 2013–2019 (DJSN, 2014)

1.3. Research questions

The preceding sections imply that social security is an important programme that should be on the agenda of every government. Indonesia also intends to develop and provide social security programmes for all its citizens, as evidenced by the 2014

³ The Roadmap was arranged by related institutions including the Coordinating Ministry of People’s Welfare, Ministry of National Development Planning, Ministry of Labour, and the National Committee of Social Security. It represents the government expectation of employment social security.

⁴ The participation number is based on the number of active contributors

social security reform. Section 1.2, on the other hand, clearly demonstrates that social security participation in Indonesia, particularly participation in *Jamsostek*, remains low and has not yet attained the government's aim.

However, as indicated at the end of Section 1.1, academic research on low *Jamsostek* participation is still limited. Therefore, this thesis seeks to address this gap by investigating why there is an employment social security participation gap in Indonesia. In this respect, the following is the main research question of this thesis:

What explains the participation rate of Indonesian employment social security (Jamsostek) programmes?

Furthermore, in the attempt to answer the main question and get a better understanding of the key study topic, this research investigates the viewpoints of three main groups associated with employment social security: members of government agencies (policymakers), employers, and workers.

Inevitably, the government is an essential actor in implementing social security. Despite system differences in each nation, governments are typically in charge of social security implementation. Governments formulate social policies, construct a budget and spending plan, and build up infrastructure such as social security administrators.

However, having a social policy and social security mechanisms does not guarantee that everyone will engage in the programme. According to the World Social Protection Report (ILO, 2017), many states continue to experience a social security participation shortfall (see also Chapter 2, section 2.6). Prior studies (see Chapter 3,

Sections 3.4 and 3.5) indicate that the participation gap may be caused by non-participation actions involving companies and employees. As the stakeholders having an interest in registering and paying social security payments, employers and employees' actions are likely to be influenced by their views of the government's and their own capacities.

According to this reasoning, the level of participation in social security is affected by the acts of three main groups: employers, employees, and the government. Hence, this thesis attempts to find an explanation for the non-participatory actions of employers and workers by analysing the perspectives of employers, workers, and members of the government. As a result, the following sub-questions were developed:

1. How do employers perceive and respond to *Jamsostek's* implementation? Why do they register their employees in *Jamsostek* or not?
2. How do employees view and respond to *Jamsostek's* programmes? Why do they or don't they participate in *Jamsostek*?
3. How do members of the government agencies view and interpret the policies and implementation of the *Jamsostek* system?

The research questions show an intention to extract rich insights and meanings from those associated with *Jamsostek* implementation. It suggests the appropriateness of using a qualitative method that examines social phenomena and attempts to comprehend the meanings that people assign to them (Denzin and Lincoln, 2013; Braun and Clarke, 2013). Chapter 4 further explains that a qualitative approach is

appropriate for this research as it seeks to explain the reasons behind something potentially complex, such as decision-making and attitudes.

Furthermore, since there is still limited research around *Jamsostek* in general, never mind a more specialised study on *Jamsostek* participation decisions, this study employed a qualitative technique for data gathering and analysis. This is in line with Creswell and Creswell's (2018) suggestion that when there is still a limited number of studies in the study topic or a specific group of the sample, it is advisable to approach it qualitatively. As a result, this study collected data via in-depth interviews with employers, employees, and representatives of government agencies involved in *Jamsostek* implementation (see Chapter 4).

1.4. Structure of the thesis

This thesis is divided into eight chapters, each of which seeks to address the underlying research questions about the rate of participation in Indonesian employment social security (*Jamsostek*) programmes.

The next chapter, Chapter 2, provides an overview of studies related to welfare regimes and social security. Chapter 2 also offers an outline of the implementation of employment social security in Indonesia to contextualise the study. It traces the development of Indonesia's social security system from its inception to the most recent reform in 2014, which anticipates universal social security participation. This chapter specifically explains the *Jamsostek* programmes, benefits, and contribution rates. The chapter also addresses the labour structure in Indonesia, which is the subject of *Jamsostek* participation, as well as the *Jamsostek* coverage gap.

The third chapter is a review of the literature on public views regarding welfare systems and the review of research on the reasons why firms and workers do not enrol themselves and their employees in social security systems. Based on these previous studies, this chapter attempts to construct a theoretical framework, which will subsequently assist in the analytical process of answering the research questions.

Chapter 4 discusses the methodologies used in this study to answer the research questions. This chapter discusses the paradigm used to produce this thesis and the justification for using a qualitative approach for data collection and analysis. Further, this chapter explains how the theoretical framework provided in Chapter 3 was used in the analytical process. The chapter also provides the author's reflection on the data collection and analysis process, the researcher's positionalities, and the ethical issues that arose during the process.

Chapters 5, 6, and 7 are empirical chapters. These chapters provide the findings of the empirical data analysis. These empirical chapters are organised to answer the research questions while considering the theoretical framework produced in this study. The outcomes of the research on employers' opinions of *Jamsostek* implementation and what influences their decision to enrol or not enrol their employees in *Jamsostek* programmes are covered in Chapter 5. The sixth chapter includes empirical data on the attitudes of workers and self-employed individuals toward *Jamsostek* participation. Chapter 7 discusses the viewpoints of government agency members on *Jamsostek* implementation and the low participation rate in comparison to the amount of Indonesian employees that should be covered.

The last chapter discusses and summarises the results, emphasises its contributions, gives policy implications and suggestions, and discusses some study limitations as well as prospective future research recommendations and ideas.

CHAPTER 2. WELFARE REGIMES AND INDONESIAN EMPLOYMENT SOCIAL SECURITY (*JAMSOSTEK*)

2.1. Introduction

A nation's welfare regime may offer an overview of the issues and paradigms involved in implementing the social security system in that country. Furthermore, it may have an influence on that country's social security system. Each nation indicates a certain type of welfare regime that either explicitly or indirectly outlines how the social security system in that country is operated.

Accordingly, recognising a nation's welfare regime might be the first step in comprehending the context if we wish to investigate public views on the implementation of a social security system in that country. Therefore, after reviewing studies on welfare regimes worldwide and notably in Indonesia, this chapter describes the study context, namely social security in Indonesia and specifically the Indonesian employment social security system (*Jamsostek*).

In this regard, this chapter starts with a discussion of welfare regime typology and presents some studies about the Indonesian welfare regime (section 2.2). Subsequently, section 2.3 provides the many meanings and uses of the term 'social security' and briefly defines social security in the Indonesian setting. Section 2.4 illustrates the evolution of Indonesia's social security system – from the country's independence to the reform of the social security system in 2014. This section also implies the shifting of the Indonesian welfare provision model over some period of time. Then, section 2.5 elaborates on the employment social security system

(*Jamsostek*), with a description of programmes, benefits, and contribution rates. This chapter also provides an overview of the labour force conditions in Indonesia, which is the target for participation in the *Jamsostek* programmes, to provide a more relevant context. The *Jamsostek* participation coverage gap is then discussed at the end of the chapter (section 2.6). This participation gap is the focus of this study and is explained in greater detail in the empirical chapters.

2.2. Welfare regime typology and the Indonesian welfare regime

Welfare regime typology studies gained momentum after the publication of Esping-Andersen's *Three Worlds of Welfare Capitalism* (1990). Esping-Andersen (1990) placed social security at the heart of his analysis. Arguably, a description of a nation's welfare system might potentially provide a very useful picture for the study of social security in a certain country, such as in this research, which will concentrate on employment social security in Indonesia.

2.2.1. Welfare regime typology studies

Before delving into the literature on the welfare regime in Indonesia, it is useful to review the academic studies of welfare regimes typology in general (see Appendix 1). Starting from the 'three worlds', Esping-Andersen (1990) argues that each country can be identified by their social right properties or de-commodification, social stratification, and the mixed role of state and private sector in providing welfare. As a result, welfare regimes can be clustered into three diverse regime types: liberal, conservative, and social democratic. United States and Canada are liberal regimes, European countries such as Germany and France belong to the conservative group, while the social-democratic group mostly consists of Scandinavian countries.

Table 2.1 The three worlds of welfare capitalism

	Liberal	Conservative/corporatist	Social democratic
<i>Role of:</i>			
Family	Marginal	Central	Marginal
Market	Central	Marginal	Marginal
State	Marginal	Marginal	Central
<i>Welfare state:</i>			
Dominant locus of solidarity	Market	Family	State
Dominant mode of solidarity	Individual	Kinship, corporatism, etatism	Universal
Degree of de-commodification	Minimal	High	Maximum
Model examples	USA, Canada	Germany, Italy	Sweden

Source: Esping-Andersen (1999)

However, this typology had been challenged since its first publication. Some scholars argue that the three models are too broad and additional typology is needed (Castles and Mitchell, 1991; Leibfried, 1992; Kangas, 1994; Ferrera, 1996; Bonoli, 1997; Korpi and Palme, 1998; Abrahamson, 1999; Ferragina and Seeleib-Kaiser, 2011). Nevertheless, similar to Esping-Andersen's, these competing studies are mostly based on the situation in Western nations, particularly European and North American countries. As noted by Walker and Wong (2013), comparative studies of welfare states are often "ethnocentric Western social research" or use the "Anglocentric frame of reference". However, further studies have emerged to explain the systems in other parts of the world, such as in Asian countries.

Several scholars mention the study of Asia's welfare system prior to Esping-Andersen's (1990) *Three Worlds* (see Johnson, 1982; Rose and Shiratori, 1986). However, Esping-Andersen's seminal work rekindled interest in comparative social policy studies outside of Western countries. Studies in Asia, however, are primarily focused on East Asian countries (Jones, 1993; Ku, 1997; Kwon, 1997; Lin, 1999). Scholars have suggested several models to represent the welfare system in East Asian countries, including the Confucian welfare state/model (Jones, 1993; Lin, 1999), the East Asian model (Goodman and Peng, 1996; Kwon, 1997; Goodman *et al.*, 1998; Aspalter, 2006), and productivist welfare capitalism (Holliday, 2000).

Jones (1993) added Confucian into the typology, arguing that it differs from the 'three worlds' as it is conservative corporatism without Western-style worker participation; subsidiarity without the Church; solidarity without equality; and *laissez-faire* without libertarianism. Furthermore, Lin (1999) observes some characteristics of the Confucian model, which are anti-redistributionism, self-reliance, group reference, authoritarian in policymaking, and a poor sense of welfare rights. Meanwhile, Kwon (1997) identifies that in the East Asian model, represented by Japan and South Korea, the welfare expenditure of governments is lower than that of their Western counterparts, but not with public social spending. Their social and fiscal policies have only a small impact on income distribution. Walker and Wong (2005) add that while East Asian countries show diverse paths in their political-economic development, East Asian governments have common features in terms of their welfare systems: low social expenditures, education spending as a priority, and a government role of welfare system regulator rather than 'provider'.

Another essential study analysing East Asian welfare regimes is the ‘productivist welfare capitalism’ proposed by Holliday (2000). He argues that while the liberal regime prioritises the market, conservative regime defines status division, and social democratic regime focus on welfare universalism, the *Productivist* regime is premised on growth objectives. Holliday (2000) points out that the two central aspects of this type are a growth-orientated state and prioritisation of policy according to economic/industrial objectives. Furthermore, there are variations within the Productivist model. Under this regime, social policy can be either universalistic (the state provides universal welfare programmes) or particularistic (the state directs individual welfare provision). Hence, he defines some variations, each of which has different ways of responding to growth and non-economic policy: facilitative, developmental-universalist, and developmental-particularist.

Table 2.2 The productivist world of welfare capitalism

	Social policy	Social rights	Stratification effects	State-market-family relationship
Facilitative	Subordinate to economic policy	Minimal	Limited	Market prioritised
Developmental-universalist	Subordinate to economic policy	Limited; extensions linked to productive activity	Reinforcement of the position of productive elements	State underpins market and families with some universal programmes
Developmental-particularist	Subordinate to economic policy	Minimal; forced individual provision linked to productive activity	Reinforcement of the position of productive elements	State directs social welfare activities of families

Source: Holliday (2000)

Powell and Kim (2014) comment on the various studies which attempted either to explain existing or propose new types of welfare regime in East Asia, particularly in South Korea. They found that studies of welfare systems in South Korea have

different concepts and measures and, thus, require different analysis. It seems that South Korea has a 'chameleon' welfare regime as it keeps changing. Their analysis of these studies concludes that Western welfare modelling might not be suitable to be applied in other parts of the world. Despite apparent disparities in thinking regarding welfare mechanisms in East and Southeast Asia, Papadopoulos and Roumpakis (2017) contend that, in general, East and Southeast Asian welfare systems are handled via cultural and productivist frameworks, with family as an essential welfare provision actor.

2.2.2. *Studies on Indonesian welfare regime*

The literature review indicates that there aren't many scholarly studies on the Indonesian welfare regime typology. Several studies, however, have attempted to illustrate how Indonesia's welfare system operates. The study of Esmara *et al.* (1986) is among the earliest academic literature presenting Indonesian social security systems. They show that in earlier periods, Indonesia did not have sound social security systems; however, some social provision always existed. Esmara *et al.* (1986) conclude that the basic welfare provision is deeply rooted in the family support network. Similarly, Ravallion and Dearden (1988) found 'moral economy' within Java communities, which serves as an informal social security system. In this context, Gough *et al.* (2004) report that family-based informal protection networks are common in many developing nations. According to Gough *et al.* (2004), developing countries might fall into 'informal security regimes', in which people cannot reasonably expect to meet their security needs through access to state services or participation in open labour markets, and thus must rely more heavily on community

and family relationships of various kinds. Papadopoulos and Roumpakis (2017) support this notion and highlight family as an essential welfare actor in East and Southeast Asian welfare mechanisms. Hence, however one labels it, family remains at the heart of East and Southeast Asian welfare systems.

Further, Ramesh and Asher (2000) note that Indonesia has two distinct sets of social security programmes: one for public sector employees and another for private sector employees. The programmes for the public sector are more extensive and generous than those for the private sector. Meanwhile, the government has pushed private companies to create voluntary provident fund-style schemes for their workers. Yet, workers in the informal sector are virtually excluded from official social security systems. The Indonesian social security system shows the policy leanings to the government employees and large corporations (Ramesh, 2000).

This situation also seems to be occurring in other emerging nations. As concluded by Pérez-Baltodano (2013), social policy and welfare systems in developing nations are often clientelistic or residual. Under these regimes, societal policies are devised and executed in reaction to the influence of elites and special interest groups, rather than to broad social or class demands. As a result, groups such as public officials and the military are likely to be the first to be covered by the social security programmes, followed by those in descending strategic and power order (see Malloy, 1993).

From another perspective, Tambunan and Purwoko (2002) point out that in Indonesia, social security payments and benefits are retained outside the state budget; they are handled by state-owned agencies or enterprises that are not part of

governmental ministries. This is with the exception of social assistance, which is the responsibility of the Ministry of Social Affairs and is paid from the state budget.

Some of the research cited above examines how Indonesia's social provision system operates without expressly addressing the Indonesian welfare regime's typology. Several subsequent studies, however, have indicated the regime classification. Sumarto (2017) even presents an outline of the changes in welfare regime types in Indonesia from the early time of independence to the current time. Basing his analysis on Gough's (2004) work, Sumarto (2017) groups Indonesian regimes into the 'informal security' welfare regime type. Under the 'informal security' regime, Sumarto (2017) argues, Indonesia has transitioned from a productivist to an informal-liberal regime and is now in the process of transitioning to an informal-inclusive welfare regime. This regime is characterised by residual social policy, quasi-universal social policy, reliance on informal welfare provision, problematic institutions, and a democratic state (Appendix 2).

Similarly, Yuda (2018; 2019) predicts that Indonesia's welfare policy will shift away from a productivist approach. Indonesia had planned to transition from a productivist to a universalist economy through social security reform and the construction of a national social security system (SJSN). However, these improvements were impeded along the way by sociopolitical and economic factors, making it difficult for Indonesia to follow the universalist paradigm. These disruptions cover a lengthy period during which social security was mostly provided to government workers, military personnel, and high-ranking officials, while middle-class residents were primarily supported by private insurance. Meanwhile, the state has failed to offer social security for those is

informal employment relationships. Yuda (2018) also mentions several other factors that have hampered these changes, such as the unattractiveness of state programmes in comparison to familialism and kinship-based institutions, which are considered closer to citizens' preferences for welfare assistance, and the large proportion of the community operating in the informal economy with fluctuating income.

2.3. Defining social security

The preceding section's overview of the welfare regime offers a broad overview of how each regime's welfare provision system operates. Because the social security system is an important component of a welfare regime, it is often mentioned in discussions about welfare regimes in general. Social security plays a critical role in welfare state countries such as the United Kingdom (McKay and Rowlingson, 1999; Millar and Sainsbury, 2018) and in other advanced economies (ILO, 2021). However, since this research focuses primarily on social security, it is essential to properly clarify the term 'social security'.

The term 'social security' is defined in a variety of ways and with a wide range of implications (see Yeates, 2018). In a broader sense, ILO (2000) defines social security as the protection that society provides for its people through a range of public policies. It then narrows down the definition to say that social security primarily consists of insurance-type programmes like statutory social security and other contributory (insurance-type) programmes, including employer-provided pension plans, community-based programmes, and private health insurance. Meanwhile, broader welfare protection is encompassed in 'social protection', which includes not

only public social security schemes but also social assistance, labour market policies, and private and non-statutory schemes. However, because the ILO discusses social security practices globally, it frequently uses the term social security in the broader sense. Thus, it often uses the terms social protection and social security interchangeably.

In a slightly different vein than the ILO, some scholars, particularly in the United Kingdom, associate social security with all financial support schemes provided by the state, including contributory (social insurance) benefits, non-contributory (categorical, universal, or contingent) benefits, and social assistance (means-tested) benefits (McKay and Rowlingson, 1999; Alcock *et al.*, 2002; Millar and Sainsbury, 2018).

More specifically, in the United Kingdom, social security is often defined as all benefits provided by the Department of Work and Pensions (DWP), such as retirement pensions, Jobseeker's Allowance, and Universal Credit, as well as benefits provided by Her Majesty's Revenue and Customs (HMRC), such as Child Benefit, Child Tax Credits, and Working Tax Credits, and other benefits administered by local authorities, such as council tax benefits (Spicker, 2011; Millar and Sainsbury, 2018).

However, in other countries, the concept of social security can be interpreted differently. There are even differing viewpoints on social security within the United States. Some scholars use the term almost entirely to refer to means-tested benefits for society's poorest members (Alcock *et al.*, 2002). Others (Midgley and Tang, 2008; Spicker, 2011) mention that 'social security' usually refers to the social insurance system established by the Roosevelt administration in the 1930s to cover old age,

survivors, disability, and sickness, while the other benefits within social assistance are referred to as 'welfare'. The US Social Security Administration (SSA, 1997) mentions that the majority of Americans refer to social insurance or income-maintenance programmes known as OASDI (Old-Age, Survivors, and Disability Insurance) as social security. All in all, social security in the United States provides benefits to the people based on the taxes they paid into the social security system during employment (SSA, 2021). The scope of the Social Security Act, however, is broader and includes the Medicare programme and Supplemental Security Income (SSI), which are funded by general tax revenues rather than social security taxes.

In industrialised countries, social security appears to be characterised as a collection of social insurance systems, social assistance programmes, and categorical benefits. In affluent countries, these programmes account for a sizeable amount of government spending (SSA, 1997; McKay and Rowlingson, 1999; Millar and Sainsbury, 2018). Taking financial and administrative capabilities into account, some early studies conclude that it would be difficult for poorer or developing countries to replicate these programmes (Ahmad *et al.*, 1991; Guhan, 1994).

Early studies suggest that in most developing countries, the state-supported social security programmes rarely exist to cover most of the population (Midgley, 1984; see also Ahmad *et al.*, 1991). As a result, the phrase 'social security' as defined in industrialised countries becomes too limited to encompass the practice of non-state social security found in emerging countries. Hence, some studies (Ahmad *et al.*, 1991; Guhan, 1994) recommend that the term 'social security' in the developing

world should encompass any public activity at the state, family, and community levels aimed at eradicating or reducing poverty and vulnerability.

However, many developing countries have succeeded in developing formal social security systems (Adam *et al.*, 2002; ILO, 2017). In their reports, SSA and the International Social Security Association (2018; 2019a; 2019b; 2020) show that developing countries are also continuing to formalise and clarify their social security systems. As a result, social security programmes in advanced countries, such as OASDI (old-age, disability, and survivor), sickness, work injury, unemployment, and family allowances, are easily identifiable in the developing world. As a result, the term 'social security' as used in the developed world is still acceptable in the context of developing countries.

This is also reflected in the case of social security in Indonesia, which serves as the context for this study. Since the country's inception, Indonesia has gone through several periods of development in its social security system as a developing country (see section 2.4). Based on the most recent laws, what is meant by social security in Indonesia is the programmes organised by BPJSs (social security administering bodies), which include health, work accident, death, old age, pension, and unemployment benefits, as will be discussed in greater detail in the following sections. Health insurance is provided as a means-tested benefit for the poor but as a contributory programme for more affluent workers. Meanwhile, the other five programmes are social insurance programmes funded by worker contributions.

2.4. Development of Indonesian social security institutions: Historical and current context

2.4.1. The scope of Indonesian social security

The preceding section provided some definitions of the term 'social security'. If the scope of social security referred to in this research is not clarified, this may cause confusion for the readers of this research. So, first and foremost, it is necessary to define the term 'social security', specifically in Indonesia, which serves as the context for this study.

In general, the context of this research is Indonesia's national social security system as defined by the laws of the Republic of Indonesia. The National Social Security Act (Law No. 40/2004) states:

“Social security is a type of social protection that ensures that all people are able to meet their basic needs in order to live a decent life.”

The law, furthermore, specifies that the social security in question consists of five programmes: health benefits, work-related accident benefits, death benefits, old-age benefits, and pension benefits. Then, in accordance with the mandate of Law No. 11/2020, another social security programme, namely unemployment benefits, was implemented in 2021. However, the focus of this research is on employment social security administered by BPJS Ketenagakerjaan, which includes all of the programmes mentioned above except health benefits and unemployment benefits (see subsection 2.5.1).

2.4.2. Early development of Indonesian social security institutions

Indonesia started to develop its social security programmes right after it proclaimed its independence from colonialism in 1945. After the proclamation, Indonesian intellectuals, politicians, the military, and other stakeholders began to set up all the necessary programmes for the newly established country, including social security. As Indonesia had just come out of its independence struggle, the first provision was regulated in 1947 by Law No. 33, for those who were injured during war, and Law No. 34, for work-related accidents.

However, Esmara and Tjiptoherijanto (1986) argue that this early development only reflects the lack of a formal social security system. They argue that in that early period, Indonesia did not have a sound social security system, as it was mainly about the collection of laws and regulations without proper implementation programmes or apparatus. Instead, the social provision was already deeply rooted in the family support network. This condition was similarly noted by Ravallion and Dearden (1988), that a 'moral economy' serves as an informal social security system. In their study, they found that communities in Java undertook private transfers targeted at the sick, elderly, and unemployed.

Nevertheless, the Indonesian government continued to develop a formal social security system, and the providers were eventually established during the 1960s. It was started with the forming of a pension benefits programme in 1956; this was followed by social assistance programmes for civil servant families (DASPERI)⁵ and a civil servant old-age benefits programme in 1963. In the same year (1963), PN

⁵ Administered under the Ministry of Social Welfare.

Taspen⁶ (Savings and Insurance for Civil Servants) was established to operate those programmes. In the following year (1964), the government launched the YDJS⁷/*Yayasan Dana Jaminan Sosial* (Social Security Fund Foundation). This provided programmes such as sickness, maternity, and death benefits for workers on a voluntary basis. A few years later, in 1968, the government launched BPDPK⁸/*Badan Penyelenggara Dana Pemeliharaan Kesehatan* (Administrational Body for Healthcare Fund), which served only government employees and retirees.

During the 1960s and 1970s development period, social security programmes arguably tended to be aimed more at civil servants and their families. This condition persisted for a relative long period, and as pointed out by Ramesh and Asher (2000), Indonesia had two separate groups of social security programmes: one for the public sector and another for the private sector workers. They argue that the schemes for public sector workers were far more comprehensive and generous than those for their private counterparts. Whilst civil servants enjoyed compulsory social security, the government encouraged private firms to establish provident fund-type plans for their employees on a voluntary basis. Meanwhile, informal sector workers were almost entirely excluded from formal social security programmes. The Indonesian social security programmes showed the bias toward government employees and those from large corporations (Ramesh, 2000).

The period after 1970 saw some entity changes in the Indonesian social security operators. In 1970, PN Taspen transformed to a semi-corporation model in the form of *Perum* Taspen. Following the transformation, in 1971, the government segregated

⁶ Administered under the Ministry of Finance.

⁷ Administered under the Ministry of Labour.

⁸ Administered under the Ministry of Health.

its welfare provision programmes for military forces from other government employees and established Perum ASABRI⁹ (Social Insurance for the Armed Forces). In 1975, DASPERI funds were abolished and were transferred to Perum Taspen and Perum ASABRI to strengthen those operators. The two entities continued to transform into a full corporate form, and in 1981 Perum Taspen became PT Taspen (Persero) and in 1991 Perum ASABRI changed to PT ASABRI (Persero).

It seems that these changes followed a certain pattern, moving from direct government responsibility to management by corporations. Tambunan and Purwoko (2002) also mention that in Indonesia, social security contributions and benefits are kept outside the state budget; they are administered by state-owned companies outside governmental departments. This is with the exception of social assistance, which is funded by the national general revenue.

This pattern also appeared in the changes of other operators. After 13 years of operation, YDJS activities were stopped, and then in 1977 a new entity was created, namely Perum Astek, which later became PT Jamsostek (Persero) in 1992. Similarly, BPDPK changed to Perum Husada Bhakti in 1984 and became PT Askes (Persero) in 1992.

Over a certain period of time, those four entities evolved from being highly dependent on the government budget to being more independent in terms of financial management. The entities then became corporations in the form of PT/*Perseroan Terbatas* (Limited Liability Company) owned by the government (*Persero*). Under this format, the operations were similar to other commercial companies and profit-orientated entities.

⁹ Supervised by the Department (Ministry) of Defence.

Thus, until 2014, Indonesia had four social security providers: PT Taspen (Persero) provided insurance and pension benefits for government employees; PT ASABRI (Persero) managed social insurance for the armed forces in Indonesia; PT Askes (Persero) dealt with healthcare provisions for government employees; and PT Jamsostek (Persero) administered social insurance programmes (old-age, work-related injury, death, and healthcare benefits) for non-government employees.

2.4.3. The 2014 social security reform

Indonesia experienced another major social security reform that took effect in 2014. However, this reform represents the conclusion of a process that started in the early 2000s. The reform was a result of the amendment to the Indonesian constitution (UUD 1945) in 2002, which included a mandate for government to develop a social security system that would cover all Indonesian citizens, as indicated in UUD 1945 sections 28H (3) and 34 (2). This amendment reflects a shift away from the provision for just government employees and large enterprises, as mentioned in section 2.4.2 above, and toward the provision of universal social security.

Following the constitutional amendment, the government and parliament passed Law No. 40/2004 about the national social security system. This law asserts that everyone has the right to social security, which refers to five programmes: health benefits, work-related accident benefits, old-age benefits, pension benefits, and death benefits. Under this law, the National Committee of Social Security (DJSN) was established to supervise social security implementation and formulate and synchronise the general policies of the national social security system. This committee directly reports to the President of the Republic of Indonesia.

To implement these programmes, Law No. 40/2004 orders the establishment of social security administrators. However, it mentions the existing providers (PT Taspen, PT ASABRI, PT Askes, and PT Jamsostek) as the legitimate administrators until further legislation regulates it more specifically.

Until 2011, under Law No. 24/2011, two institutions were established to administer social security programmes: BPJS Ketenagakerjaan (administrator of employment social security) and BPJS Kesehatan (administrator of healthcare social security). BPJS Ketenagakerjaan had the responsibility of providing four programmes for workers: work-related accident benefits (*JKK*), death benefits (*JKM*), old-age benefits (*JHT*), and pension benefits (*JP*). Meanwhile, BPJS Kesehatan was responsible for providing a health benefits programme for all Indonesian people.

The reform brought about institutional transformation once again. The two social security administrators (BPJS Ketenagakerjaan and BPJS Kesehatan) are the outcome of transformations in PT Jamsostek and PT ASKES. BPJS Ketenagakerjaan is the result of transforming PT Jamsostek (Persero), and BPJS Kesehatan was transformed from PT Askes (Persero). PT Jamsostek and PT ASKES were dissolved, without being liquidated, and immediately transferred all their assets, liabilities, and any legal rights to the newly established public agencies (BPJSs). They were transformed from commercial corporations into non-profit public agencies.

As shown in section 2.4.2 above, PT Jamsostek and PT ASKES were both state-owned companies (*profit-orientated*) before being transformed into statutory public agencies (*not-for-profit entities*), which now report directly to the President of the Republic of Indonesia. However, their operations only effectively started on January

1, 2014, as mandated by the law. Tables 2.3 and 2.4 below show the social security providers before and after the 2014 reform.

Table 2.3 Social security providers before 2014

Social security provider	Entity form	Programmes	Targeted participants
PT <i>Jamsostek</i> (Persero)	State-owned company (<i>profit orientated</i>)	<ul style="list-style-type: none"> • Old-age benefit • Work-related accident • Death benefit • Healthcare 	<ul style="list-style-type: none"> • Corporate/industrial workers • Non-government workers
PT Askes (Persero)	State-owned company (<i>profit orientated</i>)	Healthcare	Government civil servants
PT Taspen (Persero)	State-owned company (<i>profit orientated</i>)	Pension benefit	Government civil servants
PT ASABRI (Persero)	State-owned company (<i>profit orientated</i>)	Pension benefit compensations	Armed forces

Source: Author's own summary

Table 2.4 Social security providers *after* 2014 reform

Social security administrator	Entity form	Programmes	Targeted participants
BPJS Ketenagakerjaan	Public agency (<i>not-for-profit entity</i>)	<ul style="list-style-type: none"> • Old-age benefit • Work-related accident • Death benefit • Pension 	All Indonesian workers
BPJS Kesehatan	Public agency (<i>not-for-profit entity</i>)	Healthcare	All citizens
PT Taspen (Persero)	State-owned company (<i>profit orientated</i>)	<ul style="list-style-type: none"> • Pension • Work-related accident • Death benefit 	Government civil servants
PT ASABRI (Persero)	State-owned company (<i>profit orientated</i>)	<ul style="list-style-type: none"> • Pension • Work-related accident • Death benefit 	Armed forces

Source: Author's own summary

These newly established institutions are mandated to carry out the national social security system, delivering welfare and social protection programmes for all

Indonesian people. The mandate particularly refers to BPJSs. According to Law No. 24/2011, PT Taspen's and PT ASABRI's programmes and participants will be merged to BPJS Ketenagakerjaan no later than 2029.

In performing the mandate of the law, the two BPJSs are given certain tasks and authorities as presented in Table 2.5 below.

Table 2.5 Tasks and responsibilities of BPJS

Task	<ul style="list-style-type: none"> a. Managing participant/member registration b. Collecting contribution payments from members and employers c. Receiving contribution subsidy from the government d. Managing social security fund e. Collecting and managing participants' data f. Paying benefits or managed care liabilities g. Disseminating information regarding social security programmes to members and the public
Responsibility	<ul style="list-style-type: none"> a. Billing contribution payments b. Prudentially investing social security funds in long-term and short-term instruments c. Supervising and inspecting the compliance of participants and employers in fulfilling their social security obligations d. Agreeing on the cost of health services with the healthcare providers e. Making and terminating agreements with healthcare providers f. Imposing administrative sanctions on participants or their employers who are not fulfilling their social security obligations g. Reporting the non-compliance of employers in paying contributions or in fulfilling other obligations to the competent authority h. Collaborating with other institutions regarding the implementation of social security

Source: Adapted from Law No. 24/2011 articles (10) and (11)

As indicated in Law No. 24/2011, the institutional changes were deemed necessary to achieve the goal of a national social security system which is to provide decent living standards for all Indonesian people. One of the main implications of the reform is the government's commitment to cover all Indonesian citizens in the national healthcare programme and to cover all workers in the employment social security programmes.

2.5. Employment social security and labour force in the Indonesian context

As previously indicated, there is little research on employment social security in Indonesia. Although there are several studies that provide descriptions of employment social security in Indonesia (Ramesh, 2000; Ramesh and Asher, 2000; Tambunan and Purwoko, 2002; Arifianto, 2004; Suryahadi, Febriany, and Yumna, 2014), they are already relatively outdated because they were conducted prior to the 2014 reform of the Indonesian social security system. As a result, this section helps to give updated information about Indonesia's employment social security systems while also describing the context of this research.

2.5.1. Jamsostek programmes

BPJS Ketenagakerjaan has managed four social security programmes since its inception in 2014: work-related accident benefits, death benefits, old-age benefits, and pension benefits. Then, in 2021, a new programme, unemployment benefits, was implemented.¹⁰ The scope of this thesis, however, excludes the new programme

¹⁰ Launched in 2021 according to the Government Regulation No. 37/2021

because the research setting and data collection took place in 2020, when the programme had not yet been introduced and was not yet running.

The four *Jamsostek* programmes are summarised below:

Work-related accident benefits programme

This programme provides benefits in the form of cash and/or hospital services when a participant is involved in a work-related accident or illness caused by the work environment. Cash benefits are paid when a participant is involved in an accident related to his or her job that results in death or permanent disability. If the participant leaves behind one or two school-aged children, his/her children will receive an additional scholarship benefit. In-kind benefits include hospitalisation, orthoses (orthopaedic devices) or prostheses (body part replacements), and assistance with a return-to-work programme.

Death benefits programme

This programme is a type of social insurance for bereavement that provides a cash benefit to survivors when the active participant dies in a non-work-related accident. Death compensation, funeral compensation, a monthly allowance for 24 months, and a scholarship for school-aged children are among the cash benefits.

Old-age benefits programme

This programme pays a lump sum cash benefit when a participant reaches retirement age, dies, suffers permanent total disability, or leaves Indonesia permanently. Despite the term 'old age', participants can withdraw the cash benefit if they lose their job or resign from their job. The benefit amount is the accumulated value of all

contributions paid plus the investment return on the accumulated fund in the participant's individual account.

Pension benefits programme

The pension programme aims to maintain a decent standard of living for participants and/or their survivors by providing income after retirement, permanent total disability, or death. Participants will receive a monthly pension allowance if they have reached retirement age and have made at least fifteen years of contributions. The monthly allowance amount is determined by the contribution period and the average wage reported to BPJS Ketenagakerjaan. Participants can also receive a monthly allowance if they become permanently disabled as a result of a work-related accident, even if they have contributed for less than fifteen years. If a participant dies, one of his or her survivors, such as a spouse, child, or parent, may receive a monthly pension, but only a portion of the old age or permanent disability pension. Furthermore, if the participant reaches retirement age before completing a fifteen-year contribution period, the participant is entitled to a lump sum of all accumulated contributions plus the investment return.

Although the government is mandated to provide social security to all Indonesian workers, some regulations state that *Jamsostek* registration is done in stages. One regulation, Presidential Regulation No. 109/2013, even mentions the stages of registration based on business scale. Workers in large and medium-sized businesses must be enrolled in all four programmes (work-related accident insurance, death insurance, old-age benefits, and pension benefits). Meanwhile, employees in small businesses are required to participate in three programmes: work-related accident

insurance, death insurance, and old-age benefits, with the pension programme being available as an option. Workers in micro-enterprises and non-wage earners, in contrast, are only required to participate in the work-related accident and death insurance programmes.

Workers in the construction industry and migrant workers, on the other hand, have their own provisions, despite the fact that they are wage earners. Construction workers typically work on projects that include daily freelance contracts, piece rates, and specific time work agreements. Their employers are only required to enrol them in the work-related accident and death insurance programmes, not in the old-age and pension programmes.

Meanwhile, the protection programme for Indonesian migrant workers began at the end of 2018 with the issuance of Ministry of Employment Regulation No. 18/2018. This regulation requires Indonesian migrant workers to be enrolled in a work-related accident and death benefit programme, with the savings programme (administered through the old-age benefit programme) as an option. If Indonesian Migrant Workers (PMI) participants have an accident before, during, or after work, they can receive benefits in the form of cash and/or health services. This includes accidents that occur on the way from home to work or vice versa. The *Jamsostek* protection period for these migrant workers, however, is limited. The maximum period of protection prior to work is 5 months, followed by a period of protection while working of 25 months.

Table 2.6 *Jamsostek* programmes and benefits for each worker group¹¹

Programme & benefits		Wage earner	Non-wage earner	Construction services ¹²	Migrant
Work accident					
Medical treatment	Unlimited treatment based on medical indication	√	√	√	√
Death compensation	48 x reported wage	√	√	√	√
Permanent disability compensation	56 x reported wage	√	√	√	√
Invalidity compensation	Orthoses & prostheses based on public hospital's standard	√	√	√	√
Scholarship for children	Max. IDR 174 million for 2 children	√	√	√	√
Compensation for recovery period	100% of wage in first 12 month recovery 50% of wage until recovered	√	√	√	√
Return to work	Rehabilitation and work training	√	x	x	x
Death insurance		√	√	√	√
Death compensation	IDR 20 million	√	√	√	√
Funeral	IDR 10 million	√	√	√	√
Monthly allowance	Lumpsum payment of IDR 12 million	√	√	√	√
Scholarship for children	Max. IDR 174 million for 2 children				
Old-age savings		√	x	x	x
Pension		√	x	x	x
Unemployment benefits		√	x	x	x
	Max. 6 months: 45% of reported wage, paid monthly for the first 3				

¹¹ See section 2.5.2 for more detailed worker groups

¹² Workers in construction services and migrant workers are included in the wage earner group, but they have distinctive programmes from other wage earners.

	months 25% of reported wage, paid monthly for the next 3 months				
	Information about job vacancies ¹³				
	Job training				

Table 2.7 below show the contribution scheme for the national social security system administered by BPJS Ketenagakerjaan.

Table 2.7 BPJS Ketenagakerjaan contribution scheme for each segment

Participant segment	Programme	Contribution scheme		Contribution basis
		Employer	Employee	
Wage-earners (formal sectors)	Old-age	3.70%	2%	Reported wage
	Work-related Accident	0.24%-1.74% ¹⁴	-	Reported wage
	Death	0.30%	-	Reported wage
	Pension	2%	1%	Reported wage
Non-wage earners (informal sectors)	Old-age	2%	-	Reported earning
	Work-related accident	1%	-	Reported earning
	Death	Rp6,800/£0.35	-	Fixed rate
Construction workers	Work-related accident	0.21% below Rp100M project add 0.17% between Rp100M and Rp500M, add 0.13% between Rp500M and Rp1B, add 0.11% between Rp1B and Rp5B, add 0.09% above Rp5B	-	Project value
	Death		-	
Indonesian migrant workers	Work-related accident	-	Rp370,000/£19,50 for 31 months	Fixed rate
	Death			

Source: Author's summary based on Indonesian Government Regulation No:44/2015, No:45/2015, No:46/2015 and website: <https://www.bpjsketenagakerjaan.go.id>

¹³ Administered by the Ministry of Employment.

¹⁴ The contribution rate is classified into five groups according to the level of risk in the work environment (see Appendix 3).

2.5.2. Employment status of Indonesian workers

Employment status is typically classified into two categories: informal workers and formal workers. According to van Ginneken (1999), there are numerous definitions of informal-sector workers. He concludes, however, that these workers are typically employed in micro-enterprises or unincorporated businesses where the owners are personally liable for gains and losses. The business usually has fewer than ten employees, and there are no written contracts. In the meantime, formal workers are those who have a work contract, as opposed to the informal workers described above.

Though the definition of this sector varies by country, informal sector workers are generally those with low incomes or the self-employed, working in very small (unregistered) companies or the household sector, often on a part-time basis, as well as migrant workers in industries such as agriculture, construction and services (see Hu and Stewart, 2009). Similarly, the ILO (1993; 2003) provides an extensive definition of informal employment that includes own-account workers and employers operating in their own informal-sector firms, family workers, and employees holding informal jobs. Furthermore, the ILO (2003) defines informal workers as those with the following characteristics: non-declaration of jobs; work on jobs of limited duration; jobs with hours of work or wages below a specified threshold; employment by unincorporated enterprises or persons in households; and workers without employment contracts. However, the ILO also notes that the operational criteria for determining informal employment are dependent on each country's national conditions and data availability.

Indonesia has also accepted the international categorisation to some extent. However, in Indonesia's social security system, these classifications are referred to using different terminology. As reflected in Tables 2.6 and 2.7 above, workers are classified into two general categories under current social security regulations: wage earners and non-wage earners. Wage earners are typically employees who have a formal work contract and are paid on a regular basis. Meanwhile, BPJS Ketenagakerjaan defines non-wage earners as those who engage in economic activities or economic businesses on their own to earn a living (BPJS Ketenagakerjaan, 2016; 2021).

Furthermore, BPJS Ketenagakerjaan expands on the scope of non-wage earners to include employers who are not registered as salary earners in their company, workers without a formal employment relationship, self-employed workers, interns, practical students, and temporary workers.

Furthermore, within the wage earner group, there are two sub-groups: construction service workers and migrant workers. Despite being classified as wage earners, construction service workers and migrant workers are treated differently from wage earners in general. Typically, construction workers are assigned to projects that include daily freelance contracts, piece rates, and time work agreements. They usually do not have individual *Jamsostek* accounts when it comes to membership. Employers do not need to register each employee in detail in a project because they can register *Jamsostek* protection for their project by simply listing the global number of workers involved in the project. Because of the temporary nature of their employment, their employers are only required to enrol them in the work-related

accident and death insurance programmes, not in long-term programmes such as old-age and pension benefits (see section 2.5.1 and Table 2.6).

Another sub-group, namely migrant workers, includes any Indonesian citizen who will, is currently, or has done work outside the Republic of Indonesia's territory. However, the *Jamsostek* protection period for these migrant workers is limited. The period of protection prior to work is limited to 5 months, followed by a 25-month period of protection while working.

2.5.3. Overview of Indonesian labour force

Since the subject of this study is employment social security, it is necessary to offer an overview of the labour force situation in Indonesia, which is the subject of *Jamsostek* participation. Indonesia is one of the most populous countries in the world. Despite some data variations, Indonesia is consistently ranked as the country with the 4th largest population after China, India, and the USA, with an estimated population of 271 million people in 2019 (United Nations, 2019).

Table 2.8 World's most populous countries 1990–2050

(numbers in parentheses refer to total population in million people)

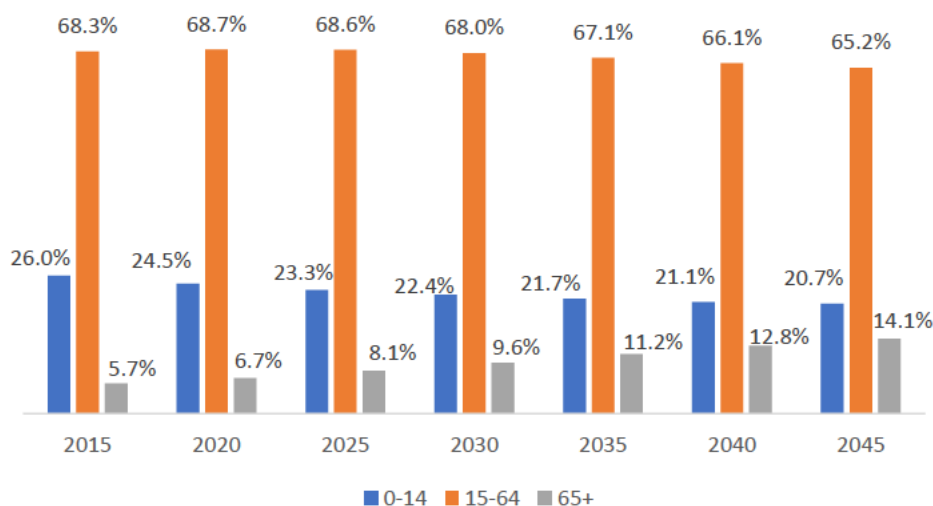
Rank	1990	2019	2050
1	China (1,177)	China (1,434)	India (1,639)
2	India (873)	India (1,366)	China (1,402)
3	USA (252)	USA (329)	Nigeria (401)
4	Indonesia (181)	Indonesia (271)	USA (379)
5	Brazil (149)	Pakistan (217)	Pakistan (338)
6	Russian Federation (148)	Brazil (211)	Indonesia (331)
7	Japan (125)	Nigeria (201)	Brazil (229)
8	Pakistan (108)	Bangladesh (163)	Ethiopia (205)
9	Bangladesh (103)	Russian Federation (146)	Dem. Rep. of Congo (194)
10	Nigeria (95)	Mexico (128)	Bangladesh (193)

Source: Adapted from United Nations, Department of Economic and Social Affairs, Population Division (2019)

Indonesia’s population is projected to continue growing along with the growing world population. As shown in the table above, the United Nations (UN) estimates that Indonesia’s population will reach around 331 million by 2050. Furthermore, the UN report (United Nations, 2019) indicates that in several countries, including Indonesia, the number of people of working age is growing and is a significant portion of the total population.

The Indonesian government provides a similar estimate. Based on the 2015 census, BPS-Statistics Indonesia (2018) projects Indonesia’s population to continue increasing, and it is estimated to reach around 319 million people in 2045. Similar to the UN estimates, BPS-Statistics (2018) indicates that the share of the working age population in Indonesia makes up a large part of the total population. As shown in Figure 2.1, during the period 2015 to 2045, the working age population is estimated to range from 65% to 68% of the total population (see Appendix 4).

Figure 2.1 Indonesian population age composition: 2015–2045 projection



Source: Author’s analysis based on Indonesian Population Projection 2015–2045 (BPS-Statistics Indonesia, 2018)

BPS-Statistics Indonesia defines the working age population as the entire population aged 15 years and over. Furthermore, the working age population is divided into two groups: labour force and non-labour force. The labour force group includes people aged over 15 years who are working and unemployed. Meanwhile, the non-labour force group includes people of working age who are still in school or taking care of the household and other activities.

Table 2.9 Estimated labour force population 2014–2020

	2014	2015	2016	2017	2018	2019	2020
> age 15 population	182,992,204	186,100,917	189,096,722	192,079,416	198,126,553	197,911,777	203,972,460
Labour force	121,872,931	122,380,021	125,443,748	128,062,746	131,005,641	133,560,880	138,221,938
Working	114,628,026	114,819,199	118,411,973	121,022,423	124,004,950	126,515,119	128,454,184
Unemployed	7,244,905	7,560,822	7,031,775	7,040,323	7,000,691	7,045,761	9,767,754
Non labour force	61,119,273	63,720,896	63,652,974	64,016,670	63,773,800	64,350,897	65,750,522
Attending school	16,769,494	16,734,963	15,922,029	16,492,370	16,532,322	16,013,564	15,352,639
Household care	36,019,249	38,203,701	39,335,203	39,918,919	39,647,690	40,214,882	40,960,652
Others	8,330,530	8,782,232	8,395,742	7,605,381	7,593,788	8,122,451	9,437,231
Labour force participation rate (%)	66.60%	65.76%	66.34%	66.67%	66.12%	67.49%	67.77%
Unemployment rate	5.94%	6.18%	5.61%	5.50%	5.34%	5.28%	7.07%
Worker with less than normal working hour	35,768,184	34,312,898	32,233,155	33,817,843	35,582,352	36,542,257	46,431,305
Under-employed	9,680,866	9,739,197	8,975,268	9,143,106	8,210,835	8,136,470	13,089,055
Part-time worker	26,087,318	24,573,701	23,257,887	24,674,737	27,371,517	28,405,787	33,342,250

Source: Summarised from *Labor Force Situation in Indonesia* (BPS-Statistics Indonesia, 2020; 2019; 2018; 2017; 2016; 2015; 2014)

2.6. Jamsostek participation coverage gaps

The concept of social security coverage can be seen from different measures. Gillion *et al.* (2000) and van Ginneken (2007) mention that social security coverage could be seen from three dimensions, which are in terms of: 1) the number of persons that actually and potentially register on to social security programmes; 2) the scope of the programmes provided (basic and contingency needs); 3) the level of benefits that would be given to the beneficiaries. Nonetheless, Rofman and Lucchetti (2006) argue

that, for simplicity, the ratio of the covered population and potentially covered population should be used as the social security coverage indicator.

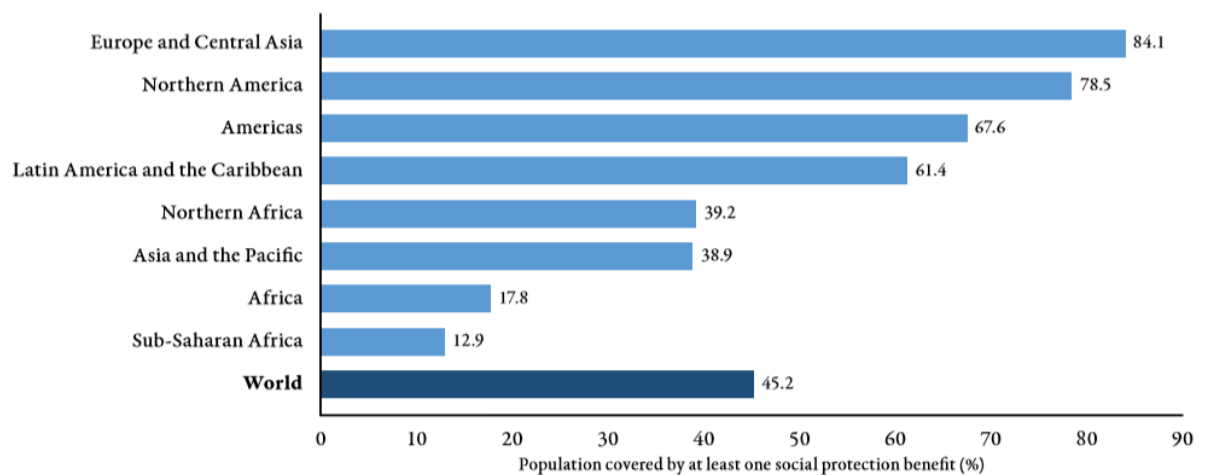
This research focuses more on the first definition, which defines coverage as the number of people registered in the programmes. It is not because of the simplicity, as argued by Rofman and Lucchetti (2006), but more related to the main issue that there is still a significant portion of people who are not covered by the social protection programmes, particularly in developing countries, as we shall see in the following subsections. Hence, this study tries to explore the possible explanations for the social security participant coverage gap in developing countries.

2.6.1. Overview of global social security participation gaps

As discussed in the preceding section, each welfare regime varies in nature and circumstances depending on the nation's economic status and culture. Each regime also demonstrates a different level of population participation in social security. Some regimes include all citizens in the social security system, while others only include certain categories.

Most governments have acknowledged that social protection and social security are essential programmes that they should take into account in managing their governing administration. However, even today, there is still a considerable amount of the world's population that does not enjoy social protection. The World Social Protection Report 2017–19 (ILO, 2017) shows that as much as 55% of the world's population is unprotected, while 45% are covered in at least one social protection programme (see Figure 2.2). Furthermore, only 29% of the global population receives comprehensive social security and 71% are partially covered or not covered at all (ILO, 2017, p.1).

Figure 2.2 Percentage of the total population covered by at least one social protection benefit (effective coverage), 2015¹⁵



Source: *World Social Protection Report 2017–19, International Labour Organization (2017)*

Inevitably, the government is one of the actors which determines the success of social security participation. It stipulates the scopes and benefits of social security programmes and establishes social policies, budget, and spending as well as institutions like social security administrators. On the whole, it determines the level of social welfare *de-commodification* and thus exhibits the welfare provision model (welfare regime) of the nation.¹⁶ A *liberal* regime emphasises the role of the market in providing welfare provision, while a *conservative* regime relies on corporations, and a *social-democratic* regime highly depends on the state.

However, these different regimes do not necessarily determine social security participation coverage. For example, in three different regimes such as the United States (*liberal*), Germany (*conservative*), and Sweden (*social democratic*), social security participation (represented by effective coverage of older persons: old-age

¹⁵ Coverage corresponds to the sum of persons protected by contributory schemes and recipients of contributory and non-contributory benefits expressed as a percentage of the total population. Health protection is not included.

¹⁶ De-commodification refers to the degree to which a state support their people's living standards independent from market forces. Hence, a higher degree of de-commodification means a bigger role for the government.

pension programme) has reached full coverage, as shown by Table 2.10 below. The figure shows that every country on the list has some kind of mandatory old-age income security programme.

Instead of variance between types of regime, the participation coverage seems to vary between different national income levels. High-income nations are most likely to have full participation coverage, whereas those with a low income level usually show low coverage. In high-income countries like Poland and Japan, the old-age pension programme covers all of their people, even without means-tested or universal schemes. In contrast, in low-income nations such as Mozambique, participation is low even when citizens are offered a non-contributory scheme.

Interestingly, the middle-income countries, the developing world, show a more varied participation rate. Latin American countries such as Argentina and Brazil have relatively high coverage with a combination of mandatory contributory and non-contributory schemes. Yet the combined schemes in Southeast Asian and African countries like the Philippines, Vietnam, and Egypt result in moderately low participation rates. This low coverage even happens in Kenya, where a mandatory universal scheme is implemented. The number is much lower in countries like Indonesia and Laos, which depend highly on contributory schemes.

Many governments seem to assume that social security is unavailable in low-income nations (Walker, 2013). Walker (2013) adds, however, that several low- and middle-income nations have successfully introduced social security systems, demonstrating that a lack of political will may be a greater obstacle than a lack of resources.

Table 2.10 Social security participation coverage in selected countries¹⁷

Country	Effective coverage for older persons: old-age pensions	National income level	Mandatory old-age income security programmes			
			Contributory		Non-contributory	
			Flat rate ¹⁸	Earnings related ¹⁹	Means tested ²⁰	Universal ²¹
Canada	100.0%	High		√	√	√
United States	100.0%	High		√	√	
Argentina	89.3%	Middle	√	√	√	
Brazil	78.3%	Middle		√	√	
Norway	100.0%	High		√		√
Sweden	100.0%	High		√		√
United Kingdom	100.0%	High	√	√	√	
Germany	100.0%	High		√	√	
Poland	100.0%	High	√	√		
Japan	100.0%	High	√	√		
China	100.0%	Middle		√	√	
Indonesia	14.0%	Middle		√		
Laos	5.6%	Middle		√		
Philippines	39.8%	Middle	√	√	√	
Viet Nam	39.9%	Middle		√	√	
Egypt	37.5%	Middle		√	√	
Kenya	24.8%	Middle				√
Ghana	16.4%	Middle		√		
Burkina Faso	2.7%	Low		√		
Ethiopia	15.3%	Low		√		
Mozambique	17.3%	Low		√	√	
Niger	5.8%	Low		√		

Source: Adapted from International Labour Organization (2017, pp.240–246) & Social Security Administrator (2018a; 2018b; 2019a; 2019b; 2020)

¹⁷ See Appendix 5 for more data and listed countries.

¹⁸ Contributory flat-rate pension: A pension amount that is independent of earnings but can vary depending on length of service, residency, or other factors. It is financed by payroll tax contributions from employees, employers, or both.

¹⁹ Contributory earnings-related pension: A pension that is based on earnings. It is financed by payroll tax contributions from employees, employers, or both.

²⁰ Non-contributory means-tested pension: A pension paid to eligible persons whose own or family income, assets, or both fall below certain limits. It is generally financed through government contributions, with no contributions from employers or employees.

²¹ Non-contributory universal pension: A pension paid to eligible persons based primarily on residency and not earnings or financial means. It is generally financed through government contributions, with no contributions from employers or employees.

However, having social policies and social security systems do not necessarily result in all people participating in the programme. As shown in the World Social Protection Report 2017-2019 above, many governments still face a big social security coverage gap, particularly in developing countries. Bailey and Turner (2001) infer that the contributory social security schemes in some regions such as Latin America, Africa, and Asia have serious non-participatory issues, where a big number of workers are not included in social security programmes or do not have appropriate social security benefits.

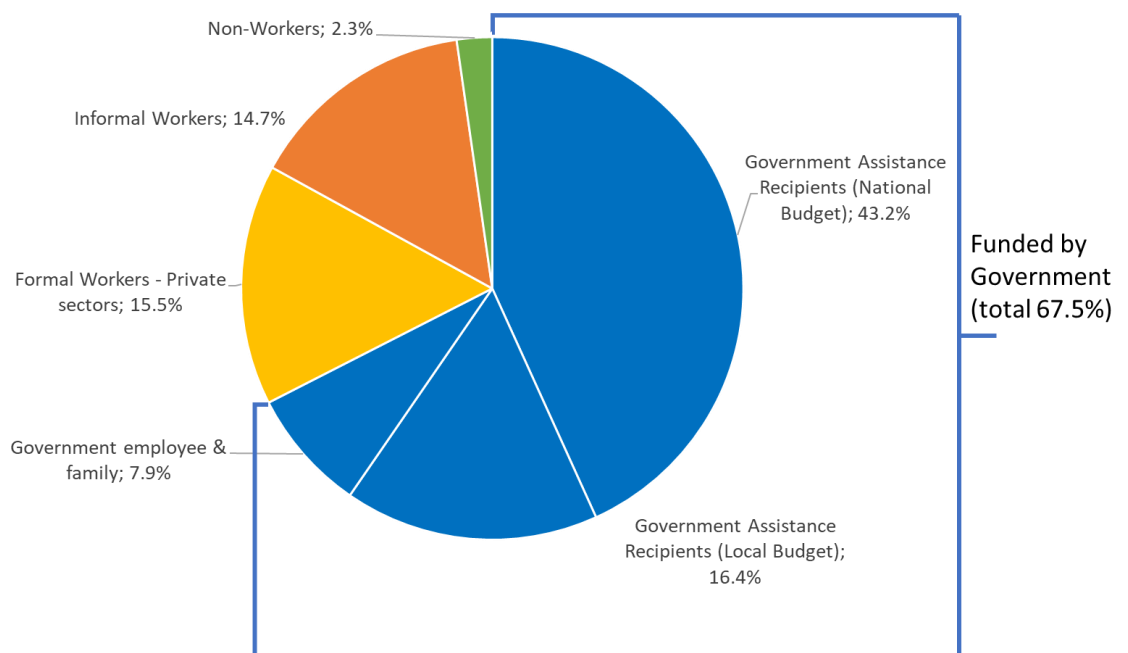
The mandatory old-age income security programmes in developing countries are mostly contributory schemes which rely on the active participation of employers and workers as the parties who are required to contribute to the programmes. Hence, one might intuitively search for an explanation of the gap by looking at the perspectives of the parties that are subject to social security programmes. Even if a government has established a social security system, it is the attitudes of these parties that would determine whether they would participate in the system or not. Hence, the following sections will discuss this action and the possible reasons for the attitudes.

2.6.2. Social security participation coverage gap in Indonesia

Previous sections have shown that the Indonesian social security reform effected in 2014 has had implications for the government's commitment to providing social security to all Indonesian people. However, although it has been several years since the launch of the Social Security Administrators (BPJS) in 2014, there are still challenges in terms of the participant coverage gap, particularly in the employment social security programmes (death, work-related accident, old age, and pension).

This coverage gap is not seen as starkly in the healthcare social security programme. At the end of 2020, 82.33% of the Indonesian population were registered in the national health social security programme (BPJS Kesehatan, 2021). However, the healthcare programme is largely supported by the state, and approximately 67.5% (Figure 2.3) of the registered members are funded by the government budget.

Figure 2.3 Member segments of national healthcare social security



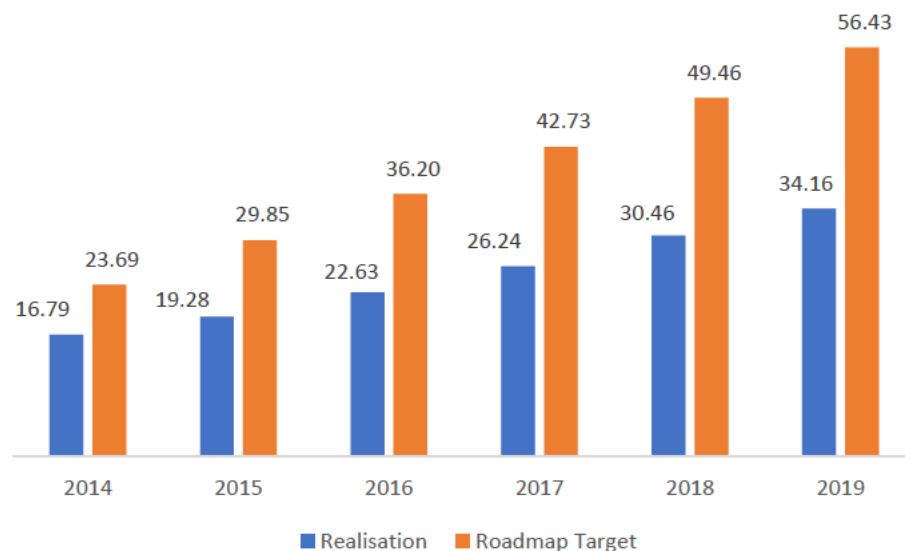
Source: Adapted from <https://bpjs-kesehatan.go.id/bpjs/>

But this is not the case with the *Jamsostek* programmes. BPJS Ketenagakerjaan still faces challenges to increase the membership coverage. Unlike in the case of the healthcare programme, the government intervention is not directly in the form of funding or registering the workers to the *Jamsostek* programmes – not even for those workers who are vulnerable or economically incapable of paying the contribution. The government ‘only’ requires employers to register their employees in the programmes and encourages those who are self-employed and casual workers to register for themselves. Therefore, this arrangement induces a slower growth rate in *Jamsostek*

membership coverage compared to the participant growth of the healthcare programme.

Although the participation coverage seems to be increasing (Graph 2.4), the growth rate is not as good as it seems when it is compared to the government's expectation as stated in the Roadmap of Employment Social Security Administration.²² Figure 2.4 shows that the number of workers registered in the *Jamsostek* programmes throughout the period of 2014 to 2019 has never achieved the Roadmap target.

Figure 2.4 *Jamsostek* membership²³: Realisation vs Roadmap target



Source: Author's analysis, processed based on Annual Sustainability Report (BPJS Ketenagakerjaan, 2020; 2021) and Roadmap of Employment Social Security Administration 2013–2019 (DJSN, 2014)

Furthermore, we can look at the *Jamsostek* participation coverage rate by comparing the number of workers registered with *Jamsostek* with the working population in Indonesia. However, before making this comparison, we need to look at the types of workers who fall into the criteria for *Jamsostek* participants.

²² The Roadmap was arranged by related institutions including the Coordinating Ministry of People's Welfare, Ministry of National Development Planning, Ministry of Labour, and the National Committee of Social Security. It represents the government expectation of employment social security.

²³ The number of participants refers to registered and active contributors

As indicated in earlier subsections, the workers targeted for *Jamsostek* participation are workers other than those in the armed forces and civil servants. In other words, the target would be all workers other than participants in the PT ASABRI and PT Taspen programmes. The number of workers in Indonesia can be seen in BPS-Indonesia Statistics²⁴ reports.

BPS-Statistics Indonesia classifies a person's position in terms of work into one of seven categories (see Table 2.11). However, those seven categories can be grouped into two general groups of worker: wage earners and non-wage earners.

Table 2.11 Working population based on employment status

	2014	2015	2016	2017	2018	2019	2020
Wage-earning workers	46,558,877	48,506,730	50,207,787	52,001,697	53,521,691	56,018,311	50,771,849
Employee/labour	42,382,148	44,434,390	45,827,785	48,047,068	49,231,568	51,654,993	46,721,161
Business with permanent/paid worker	4,176,729	4,072,340	4,380,002	3,954,629	4,290,123	4,363,318	4,050,688
Non-wage earning workers	68,069,149	66,312,469	68,204,186	69,020,726	70,483,259	70,496,808	77,682,335
Self-employed	20,486,560	19,529,747	20,015,291	23,147,482	23,622,984	25,584,324	26,174,008
Business with temporary/unpaid worker	19,275,556	18,187,786	19,450,879	18,024,632	19,547,562	18,402,254	20,073,455
Casual worker in agriculture	5,094,354	5,086,153	5,499,898	5,848,256	5,205,794	5,190,593	5,919,782
Casual worker in non-agriculture	6,406,270	7,449,080	6,965,506	7,158,103	6,973,409	6,729,368	7,197,716
Family work/unpaid worker	16,806,409	16,059,703	16,272,612	14,842,253	15,133,510	14,590,269	18,317,374
Total working population	114,628,026	114,819,199	118,411,973	121,022,423	124,004,950	126,515,119	128,454,184

Source: Author's analysis²⁵

Nevertheless, the total working population in Table 2.11 still includes workers who may not meet the criteria of a worker as stated in the social security laws. The table shows that the working population also includes unpaid workers. This category is not

²⁴ The Indonesian statistics office.

²⁵ Based on *Labor Force Situation in Indonesia* (BPS-Statistics Indonesia, 2020; 2019; 2018; 2017; 2016; 2015; 2014).

in accordance with the definition of workers in either Law No. 40/2004 or Law No. 24/2011. These laws indicate that a worker included in the social security law is anyone who works for a salary, wages, or other compensation. Thus, those who are in the 'unpaid worker' category do not fall into the group targeted for *Jamsostek* participation.

In this regard, Table 2.12 below calculates the coverage rate by taking into account those workers who do not meet the *Jamsostek* participant criteria. From the table, it can be seen that since 2014, BPJS Ketenagakerjaan has succeeded in increasing the coverage rate. However, Table 2.12 shows that a substantial number of Indonesian workers still have not been registered for the *Jamsostek* programmes, whether they are wage earners or non-wage earners. At the end of 2019, the approximate *Jamsostek* membership coverage rate only reached around 32%, and this fell to 28.5% in 2020. The coverage in the non-wage earning group exhibits even more discouraging data, where a mere 4.2% of the workers are registered.

Table 2.12 Jamsostek participation coverage

	2014	2015	2016	2017	2018	2019	2020
Working population	114,628,026	114,819,199	118,411,973	121,022,423	124,004,950	126,515,119	128,454,184
ASABRI participant	917,297	924,423	936,835	929,472	931,331	934,125	936,927
Taspen participant	4,445,159	4,402,391	4,315,547	4,216,855	4,196,614	4,176,470	4,136,256
Family work/unpaid worker	16,806,409	16,059,703	16,272,612	14,842,253	15,133,510	14,590,269	18,317,374
Workers eligible for Jamsostek participation	92,459,161	93,432,682	96,886,979	101,033,843	103,743,495	106,814,255	105,063,627
Wage-earning (formal) worker	41,196,421	43,179,916	44,955,405	46,855,370	48,393,746	50,907,716	45,698,666
Non-wage earning (informal) worker	51,262,740	50,252,766	51,931,574	54,178,473	55,349,749	55,906,539	59,364,961
Workers registered in Jamsostek	16,791,397	19,275,061	22,631,094	26,242,032	30,460,072	34,166,257	29,980,082
Wage-earning (formal) worker	16,100,961	18,988,996	21,252,022	24,527,863	28,067,050	31,454,226	27,485,088
Non-wage earning (informal) worker	690,436	286,065	1,379,072	1,714,169	2,393,022	2,712,031	2,494,994
Participation coverage rate	18.16%	20.63%	23.36%	25.97%	29.36%	31.99%	28.54%
Wage-earning (formal) worker	39.08%	43.98%	47.27%	52.35%	58.00%	61.79%	60.14%
Non-wage earning (informal) worker	1.35%	0.57%	2.66%	3.16%	4.32%	4.85%	4.20%

Source: Author's analysis²⁶

This participation coverage gap is the primary topic of this study. The next chapter will examine some studies that may shed light on why companies and employees do not register their workers and themselves in the *Jamsostek* programmes.

2.7. Summary

Generally, welfare regimes emphasise social security. Thus, the welfare system of a country can contextualise social security studies. In this respect, this chapter examined broad types of welfare regimes and then summarised Indonesia's. This chapter illustrates how Indonesia is transitioning from a productivist to an inclusive

²⁶ Based on *Labor Force Situation in Indonesia* (BPS-Statistics Indonesia, 2020; 2019; 2018; 2017; 2016; 2015; 2014), BPJS Ketenagakerjaan Annual Report (BPJS Ketenagakerjaan, 2021; 2017; 2014), ASABRI Annual Report (ASABRI, 2019), Taspen Annual Report (Taspen, 2018), Taspen Annual Planning & Budgeting (Taspen, 2021).

orientation. Nonetheless, Indonesia is still in transition, with residual, quasi-universal, and dependence on informal welfare provision.

This chapter defines the term "social security" which is employed variably in literature, politics, and everyday English. This chapter clarifies Indonesian social security and explains Indonesian constitutional social security in order to contextualise this research.

The evolution of the Indonesian social security system reveals a number of institutional shifts in social security administration. Initially, the social security institution would be directly administered by a government institution using funds from the general revenue of the nation. In the 1970s, the social security administration transitioned from government entities to profit-driven state-owned corporations. During this period, state-owned corporations managed social security funds independently of government departments. In 2014, the social security system was reformed, resulting in institutional modifications. These state-owned corporations are now statutorily mandated public bodies that value participation over profit.

Historically, the Indonesian social security system has prioritised public officials, military personnel, and large enterprise employees while excluding informal sector workers. Incorporating informal sector employees into Indonesia's social security system is progressing. However, the sizable informal workforce in Indonesia makes universal coverage difficult.

This chapter included Indonesian labour force information to round out the picture. Indonesia has a large labour force and a participation disparity in *Jamsostek*. The participation gap will be the focus of this study.

CHAPTER 3. CHALLENGES IN EXPANDING SOCIAL SECURITY PARTICIPATION

3.1. Introduction

As mentioned in the preceding chapter, each nation has characteristics indicative of its sort of welfare regime., which either explicitly or indirectly outlines how the social security system in that country is operated. In this respect, the state is crucial in establishing the welfare provision. However, as we shall see in this chapter, there are varied views and levels of support among members of the public about the state's administration of welfare provision.

Furthermore, as we saw in the previous chapter, numerous nations, particularly emerging countries such as Indonesia, continue to struggle with a lack of public engagement in their national social security systems. So, despite the fact that the state has designed and established a social security system, it turns out that many individuals do not have social security.

The primary goal of this research is to understand why participation in social security in Indonesia is still distant from the goals of the Indonesian constitution, which seeks to protect all workers in Indonesia. This chapter seeks to summarise some of the research on public views toward state welfare provision, as well as studies that explain why individuals do not register for, or even avoid, social security programmes. This chapter also attempts to construct a theoretical framework based on the literature in an attempt to explain why some people do not participate in social security programmes.

3.2. Why state insurance?

Before looking into people's attitudes on the social security system and their participation in it, this section opens this chapter by reviewing the reasons for the importance of state-managed social insurance.

Governments throughout the globe have adopted social welfare or social security programmes (ILO, 2017; United Nations, 2015). Regardless of how much the state should intervene in welfare provision, it is part of any government's purpose to ensure the welfare of their people: as Spicker (2000) argues, legitimate governments protect their citizens' welfare.

Moreover, several scholars have suggested that a government should play a central role in developing and delivering social security programmes (Creedy and Disney, 1985; Ahmad *et al.*, 1991; Walker, 2005). These scholars argue that the state must play a key role in the arrangement and provision of social security for a variety of economic and social reasons. First, it is assumed that if the private sector is required to fulfil welfare guarantees for the larger community, a 'market failure' will occur. A commercial insurer would prefer to relate the individual premium to the probability of the outcome occurring to that individual when providing such an insurance programme. The issue is that the population is heterogeneous in terms of the risks that individuals face, which is compounded by asymmetric information about those risks. Individual risks may be difficult to identify in some cases, and even if the risks are identified, the screening costs may be prohibitively expensive.

Second, it could be argued that the state should use social insurance for redistributive purposes. As stated by Walker (2005), one of the functions of social

security is the provision for needs which, at a collective level, would promote social welfare and economic development. At the very least, an effective social security system is believed to be a substantial factor in supporting economic conditions at the macro or individual economy level. The redistribution of welfare is believed to be one of the features of state provision that eventually contributes to poverty reduction.

A third point of contention is paternalism. This is based on the argument that people will not make adequate provisions because they consistently underestimate their own risks. The paternalist case for intervention contends that if individuals are left to their own devices, they will make insufficient provision for things like unemployment, sickness, child-rearing, or old age, even if insurance and capital markets exist to help them do so.

A state social insurance system with mandatory contributions is thought to compel individuals to make some provision, such as saving. Diamond (1977) offers several justifications for the paternalist argument. One is that people may not be able to obtain enough information about the relevant probabilities. Individuals may under-insure in relation to the risk of large losses and over-insure in relation to the risk of small losses (Kunreuther, 1976; Slovic *et al.*, 1977). In the case of pensions, myopia may simply result in insufficient saving in the early years of one's working life.

Another reason for state provision is people's rights and responsibilities as state citizens. Membership in society may be viewed as entailing both duties and rights. As a good citizen, one may follow certain customs of behaviour, such as observing the law or serving in the military, among others. Meanwhile, rights may include the ability to vote, the protection of the law, and social security. As a result, the absence of such

rights may result in public pressure on the government. The general public has the ability to put pressure on the government to provide social security. The political consequences of a short- or long-term inability to provide social security can be severe. A government's survival may be dependent on its track record of protecting living standards. One of the most compelling reasons for the government to provide social security is pressure from individuals, communities, and social or political organisations.

Furthermore, this programme is considered to be a human right: as clearly stated in the Universal Declaration of Human Rights proclaimed by the United Nations General Assembly in 1948, everyone has the right to social security. Accordingly, governments should provide and promote social security as part of their constitutional obligation. This commitment was once again reflected in 2015 when 193 countries from all regions agreed to adopt a set of goals known as Sustainable Development Goals (SDG), which aims to end poverty and ensure prosperity for all. In the plan to achieve the goals, they agreed to implement appropriate social protection systems.

3.3. Public attitudes towards welfare provision

Following the preceding part's explanation of the importance of the state managing social insurance, this section briefly discusses public support for the state's administration of welfare provision. This section connects the broader theme of public attitudes toward the welfare regime or state-provided welfare with the more specific topic of public attitudes toward social security participation, which will be covered in sections 3.4 and 3.5.

Welfare state arrangements by governments gained wide support from the public, particularly in developed countries and the European region after World War II. But it was not until the late 1970s that some writers questioned governments' commitment to welfare. Some commentators expressed concerns about the limitations and failures of welfare policies, such as the 'overloading' of welfare institutions and inefficient government bureaucracy, budgeting, and taxation funding (Coughlin, 1979; Taylor-Gooby, 1983; Bean and Papadakis, 1998). Since then, there have been numerous studies about the welfare state and how it relates to public attitudes. Most studies fall into two broad traditions: those which compare the features of different welfare state regimes and those which have more focus on analysing public attitudes, values, or ideas toward welfare policies.

3.3.1. Public attitudes and welfare state regimes

Several studies have attempted to investigate the structure of public attitudes toward welfare provision arrangements in various welfare regimes. Some studies (Svallfors, 1997; Bean and Papadakis, 1998; Jaeger, 2006) found that there was very little support for the argument that different regime types tend to create different attitudes. Nevertheless, they could not negate the important relationship between regimes and public attitudes; for example, the public in social-democratic countries combine strong support for welfare-state intervention with egalitarianism regarding income differences, whilst liberals combine low support for government redistribution with inegalitarian views on income distribution (Svallfors, 1997).

On the contrary, other scholars argue that welfare regimes do influence public attitudes; thus, there are differences in support for governmental action between

those types (Arts and Gelissen, 2001; Andreß and Heien, 2001; Blekesaune and Quadagno, 2003; Taylor-Gooby *et al.*, 2018). People in social-democratic regimes tend to have higher support towards government intervention in welfare provision, while those from other types – such as liberal, radical, conservative, and mostly Southeast Asian welfare states – are apparently less dedicated to achieving a high level of solidarity through government intervention (Arts and Gelissen, 2001).

3.3.2. Sources of public attitudes towards welfare policies

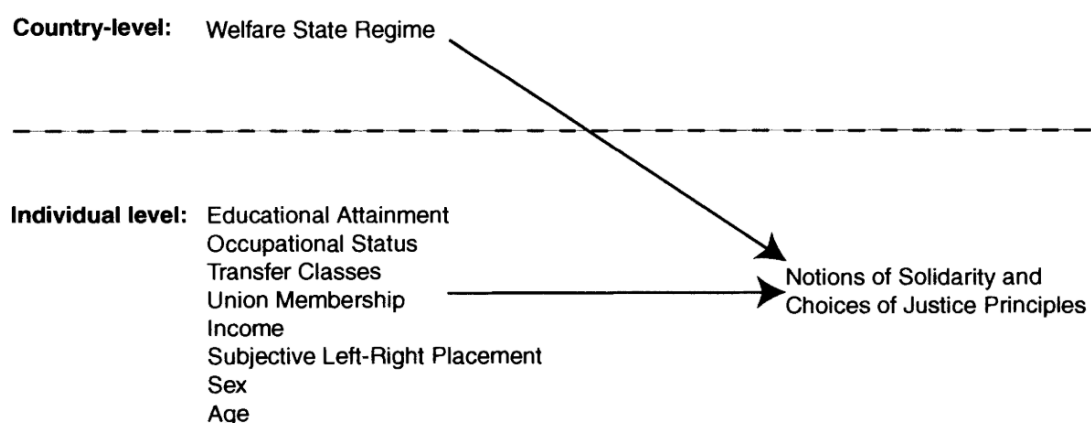
Studies on public attitudes toward welfare regimes are based on the characteristics of public individuals. Svallfors (1997), for example, tried to explain attitudes based on social class, gender, and occupational sectors. Bean and Papadakis (1998) attempted to test the influence of social and political factors, such as political institution affiliation, self-interest of social classes, and the role of other demographic indicators such as income, employment status, sector, and age group. Meanwhile, Andreß and Heien (2001) used self-interest, values, and norms, particularly justice beliefs, socialisation patterns, and national welfare cultures, as determinants. As can be seen, the sources of public attitudes are extremely diverse, making it difficult to predict which factors have the greatest influence on their attitudes. However, Bailey *et al.* (2013) propose a summary of the source of individual's welfare attitudes which includes *self-interest*, *personal values* of altruism, *beliefs* about the causes of poverty and its consequences, and *knowledge* obtained from people's daily lives.

Regardless of a country's welfare state model, people's views and expectations about government actions may stem from individual-level interests. People's views are often affected by self-interest (Weeden, 2017) and whether government actions

would be favourable or unfavourable to their lives or the groups they belong to. Hasenfeld and Rafferty (1989, p.1031) mention that self-interest will significantly affect people's views about the state because it concerns the responsibility of the state to protect their well-being. People will respond positively to welfare provision from the government if they gain personal advantages (Andreß and Heien, 2001). Gugushvili (2015) also argues that self-interest is one of the most important areas of social welfare research, and it is usually measured by people's socio-economic status.

However, a study by Arts and Gelissen (2001) may be an earlier clear example of how to describe the sources of public attitudes at the state and individual levels (see Figure 3.1 below).

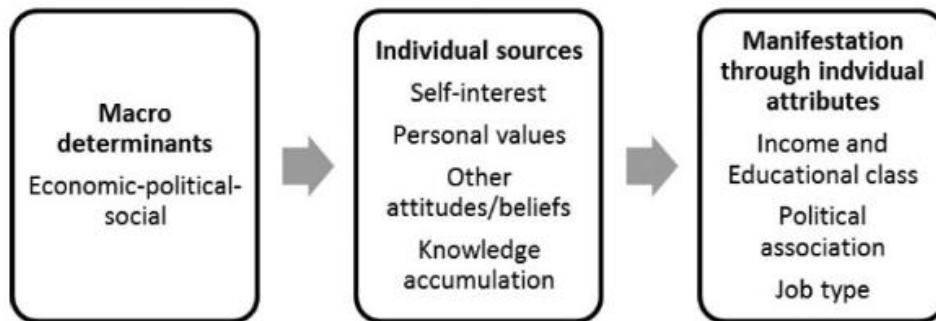
Figure 3.1 Determinants of people's notions of solidarity and choice of justice principles



Source: Arts, W. and Gelissen, J. (2001)

Similarly, Irene Ng (2015) proposes a framework that describes how the macro level, i.e. a country's economic, social, and political management, as well as individual characteristics can influence attitudes toward welfare policies.

Figure 3.2 Macro and individual determinants of welfare attitudes



Source: Ng, I. Y. H. (2015)

3.4. Understanding social security evasion and avoidance

The participant coverage gap may partially result from evasion and avoidance actions of parties that are subjected to social security contribution payments. Social security evasion in simple terms means not meeting necessary social security obligations or violating the law. The evasion may take several forms: employers do not pay, underpay, or are late paying the contributions; employers and workers do not register or only partly register on to a programme; earnings are undeclared; workers are defined as contractors, family members, or in other categories which are not required to register; or, in some cases, governments fail to pay contribution premiums for their employees (Gillion *et al.*, 2000; Bailey and Turner, 2001).

In cases where employers and workers are statutorily required to contribute, they might apply some strategies for social security avoidance, which means looking for ambiguities in the law to reduce their liability. Hence, they can avoid their liability without breaking the law or can lower their risk of being penalised. Some strategies that firms and workers use are: structuring work so that some people are not classified as employees (e.g. casual, part-time, temporary, or contractors);

maintaining a certain number of employees so they are not obliged to join the mandated programmes; requiring more working hours from a lower number of employees; under-reporting wages that are subject to contributions; delaying contribution payments to the administrator; increasing compensations that are not subject to contributions; and workers might choose to work in the informal sector, which is outside the mandatory social security scheme (McGillivray, 2001; Bailey and Turner, 2001).

These evasion and avoidance practices persist today, as shown in more recent studies such as Mineva and Stevanov (2018). Taking the case of European countries, they classified six existing methods of tax and social security evasion and avoidance. In general, the schemes include undeclared employment, concealing employee's status, concealing money transactions, bogus remuneration schemes, bogus contracts, and bogus posting of workers. Roushdy and Selwaness (2019) also show that it is still an issue in developing countries like Egypt. They particularly emphasise the cases of under-reporting workers' wages as the basis of social security contribution payments.

This evasion and avoidance may also cause a sustainability problem since the contribution payments that flow into the social security fund are not as high as they should be. Consequently, this will affect the contribution-to-benefit ratio that would make the social security administrator decide whether to raise the contribution rate or reduce the level of benefit to maintain the sustainability of the social security fund. Goveia (2017) points out that social security contribution error, evasion, and fraud may cause serious underpayment of benefits and services. Widespread evasion or

avoidance would also undermine the legitimacy of the government programme. However, the consequences will eventually come to those who should receive social security benefits: the workers and their families. A strong and sustainable social security fund is more likely to ensure that all beneficiaries receive the promised and decent benefits.

However, there can be a fine line between evasion and avoidance action. Tanzi and Shome (1993) argue that while some scholars distinguish between evasion and avoidance, it is not always that clear-cut: avoidance practices can be considered evasion if the intention is to evade taxes. Some scholars include social security evasion together with avoidance actions in their studies (Bailey and Turner, 1997; 2001; McGillivray, 2001; Petersen, 2010). Meanwhile, other scholars prefer to use different terms such as social security fraud (Reindl-Krauskopf and Meissnitzer, 2013; van Stolk and Elmerstig, 2013; Goveia, 2017) or non-compliance (Manchester, 1999; Nyland, Smyth, and Zhu, 2006; 2011; Maitra *et al.*, 2007; Enoff, 2011; Chen and Wu, 2014; Han, 2014).

A review of prior studies in this area suggests some explanations for the perspectives of employers and workers on social security participation, including their decision to contribute or not contribute to the social security system. In this regard, the next section provides a review of past literature on the subject before attempting to construct a theoretical framework to comprehend the causes behind employers' and employees' non-participation in the social security system.

3.5. Developing a theoretical framework to understand social security non-participation action

Previous research has identified a number of reasons for non-compliance in social security requirement both in terms of not enrolling and not making payments. However, it can be inferred that the reasons for low social security participation might be attributed to a dynamic between the regulatory or authority side and the regulated side. In this regard, it is the dynamic between the government/administrator and employers/workers. Holzmann (2014) argues that non-participation action is the result of the trade-off between supply-side issues and demand-side issues. The supply side denotes the capacity of the government/administrator in managing social security programmes, such as social security design, types of programme offered, and low priority of social security. On the other hand, the demand side represents the capacity of employers/workers, such as their cognitive understanding of social security and financial capability. Similarly, Pederson and Shekha (2018) suggest that attitudes toward social security are determined by political ideology factors on the government side and self-interest factors on the side of the subjected parties. Hence, the attitudes and social security participation decisions of employers and workers are driven by their perceptions of the government's/administrator's capacity, their perceptions of their own capacity, or the capacity of both sides. It has also been previously concluded by Gillion *et al.* (2000) that non-compliance with social security contribution payments involves employers, workers, and the government. The prevalence of non-compliance, Gillion *et al.* (2000) argue, is determined by each of these groups' views as well as the cost and reward structure they encounter.

In this respect, this thesis agrees the above arguments that, at the very least, social security participation coverage is driven by the attitudes of three main actors: employers, workers, and the social security authorities. The subsections that follow present prior literature on how the roles and perspectives of each of these groups relate to social security participation (see Appendix 6 for a list of these studies). This thesis then proposes a theoretical framework based on this literature to help address the research questions.

3.5.1. Employers' viewpoints on social security participation

The first point to consider while investigating social security participation is the responsibility to participate in social security. When a country's statutes state that participation in social security is required, law enforcement becomes an important factor in determining the success of that country's social security coverage. Some scholars have pointed out that enforcement is an essential aspect of social security participation and contribution (Bailey and Turner, 1997; 2001; Gillion *et al.*, 2000; McGillivray, 2001; Nyland, Smyth, and Zhu, 2006; Maitra *et al.*, 2007; Ronconi, 2010; Chen and Wu, 2014; Lesnik, Kracun, and Jagric, 2014).

In a mandatory social security system, employers might be subjected to social security contribution payments. In this regard, they bear the burden of social security obligations like maintaining employment administration and notably paying the contributions. Nevertheless, many employers fail to actualise their social security obligation since they perceive that the authorities have a lack of enforcement capacity (Nyland, Smyth, and Zhu, 2006). Furthermore, Gillion *et al.* (2000) state that

employers may avoid the responsibility to pay social security because they observe situations that are favourable to the bribery of law enforcement officers.

This perceived lax enforcement might be due to authorities' insufficient capacity and numbers of enforcement officers, lack of publication of enforcement efforts such as the announcement of non-compliant employers, or no publication of imposed penalties (Bailey and Turner, 1997; 2001). In addition, Bailey and Turner (1997) point out that smaller-scale firms tend to evade this responsibility since it is easier to control and collude with employees and they do not get much attention from the authorities.

From the employers' side, this perception leads to the low-risk assessment of being prosecuted or penalised. A low financial penalty is seen as an acceptable risk compared to the higher gain of reducing their labour costs (Jansen, 2009). Furthermore, a widespread perception of the lax enforcement of social security also means that evading the programme will not harm their firm's reputation (Bailey and Turner, 1997; 2001; McGillivray, 2001).

Because of the inadequate enforcement, employers may see an opportunity to avoid their social security registrations. One of the most common reasons is concern about their company's financial situation. Some studies suggest that employers might avoid social security contributions as a form of cost control (Bailey and Turner, 1997; 2001; McGillivray, 2001; Ghai, 2015). In the formal sector, it is reasonable to assume that employers are those who mostly bear the burden since they administer the membership of social security and also take part in contribution payments. A

contributory social security scheme inevitably affects employers, specifically regarding the cost that would be charged to firms.

According to Bailey and Turner (1997), any organisation, whether financially strong or poor, would want to minimise expenditure such as social security payments. In accordance with this, McGillivray (2001) adds that in the social security system, where the employers are obliged to pay a portion of the contributions, there is an incentive for not fulfilling it in order to decrease labour expenses. Payment of social security contributions may be a lower priority than other expenses in a business when the financial condition of the company is not good. Even enterprises with a stronger financial standing may be motivated to evade social security payments in order to have a more favourable cost structure. Extra expenditure for administering their social security participation, such as additional record keeping and computations, may occur from social security registration.

Complex procedures and the administrative requirements for participating/contributing to social security are other reasons for employers not participating in social security. McGillivray (2001) argues that employers are additionally saddled with extensive administrative processes as a result of their compliance. Employers would need to have a dedicated team or personnel to manage the administrative requirements and understand the complex procedures, and they would sometimes have to travel to the collection or administration office. These efforts would consequently increase their costs to comply with the regulations (compliance costs), which add to their unwillingness to participate in the system. It

makes compliance more onerous while making evasion more appealing and realistic (McGillivray, 2001).

Among several possible reasons for social security participation decisions, one of the crucial aspects is around how the information regarding social insurance knowledge is delivered and how the information is processed by the targeted group of people. Some scholars have identified lack of knowledge as one of the reasons for non-participation action (Hu and Stewart, 2009; Lesnik, Kracun, and Jagric, 2014; Alkenbrack, Hanson and Lindelow, 2015; Sieverding, 2016). However, this issue mainly relates to workers, since employers are most likely aware of their obligation through the authorities' enforcement efforts.

As a statutory programme, the legitimacy of social security authorities should be acknowledged by the public, or at least employers and workers as the subjected parties. Without sufficient popular support for the programme, it will be more difficult for the authorities to motivate participation and payment for the welfare schemes. Nyland, Thomson, and Zhu (2011) argue that many employers in their study believed that social security policy lacks clarity and fairness, so they punish the government by not complying with the policy. It is also perceived that the authority creates an uneven playing field where it does not treat all firms equally, so that some competing firms would gain an advantage by not fully meeting their contribution obligations (Nyland, Thomson, and Zhu, 2011; Chen and Wu, 2014).

Another reason why firms refuse to join social security programmes is the assumption that whether or not a firm participates in social security has no impact on its reputation. Non-compliance with social security participation is seen as a common

thing and is widely tolerated due to factors such as inadequate enforcement and the necessity for people to work. As a result, firms do not incur a loss in terms of reputation and can continue to hire and retain top talent (Bailey and Turner, 1997; 2001; Gillion *et al.*, 2000; McGillivray, 2001; Nyland, Thomson, and Zhu, 2011).

In addition to the reasons mentioned above, writers have pointed out several attributes which relate to employers' and workers' participation. At the firm level, characteristics such as firm size, economic sector, ownership, risk of incidents, and dependence on workers' skill are considered noteworthy attributes related to social security participation (Bailey and Turner, 1997; 2001; McGillivray, 2001; Mares, 2001; 2003; Chen and Wu, 2014; Han, 2014; Alkenbrack, Hanson, and Lindelow, 2015).

Much of the literature on social security coverage discussed in this thesis links informality to non-participation (Nyland, Smyth, and Zhu, 2006; van Ginneken, 2010; Nyland, Thomson, and Zhu, 2011; Chen and Wu, 2014; Han, 2014; Alkenbrack, Hanson, and Lindelow, 2015). This situation is reflected in countries around the world, in which the majority of individuals without social protection work in the informal sector. As a result, one of the most significant characteristics of employers in terms of social security involvement is their economic sector. This economic sector is often associated with other business features such as firm size and ownership. Informal businesses are typically small and owned privately or by individuals.

Several studies have shown that the size of a business is directly connected to its choice to participate in social security. According to Bailey and Turner (1997; 2001), as well as Gillion *et al.* (2000), smaller firms find it easier to evade social security

payments since they often do not draw the attention of law enforcement. Alkenbrack, Hanson, and Lindelow (2015) also note that smaller firms are less likely to join social security, but bigger firms are more compliant with their social security responsibilities (Chen and Wu, 2014). However, Nyland, Smyth, and Zhu (2006) found that big corporations have a greater ability and motive to avoid social security payments. Large corporations are believed to have greater capabilities, such as accountants and attorneys who can conceal their evasion or deal with government enforcement. Although, in their follow-up analysis, Nyland, Thomson, and Zhu (2011) discovered no apparent pattern in the association between business size and social security compliance behaviour.

The structure of ownership is another business feature that is often highlighted in relation to social security participation. Almost all writers believe that government-owned or public corporations are more likely to comply with social security obligations (Nyland, Thomson, and Zhu, 2011; Han, 2014; Chen and Wu, 2014), while privately held businesses are less likely to do so (Alkenbrack, Hanson, and Lindelow, 2015).

In addition to the above business characteristics that are often discussed in the literature, a few studies specify other firm attributes that may be associated with social security participation, such as the risk of incidents. According to Mares (2001; 2003), higher-risk enterprises prefer to enrol their employees in social insurance programmes. Nyland, Smyth, and Zhu (2006), on the other hand, could not identify a clear pattern of correlation between the incidence of risk faced by a firm's workers and the firm's willingness to pay social insurance contributions.

Based on the aforementioned studies, Table 3.1 illustrates the reasons why employers do not participate in social security systems. In general, it may be inferred that some attributes or characteristics of businesses are linked to their non-participation in social security. However, beyond the company's characteristics, past research also discusses the reasons why firms do not participate in or avoid paying for social security payments. This thesis expands on these reasons.

Table 3.1 References for employers' reasons for social security non-participation

Employer's perspectives

Reasons for non-participation	References
Enforcement and penalties	Bailey and Turner (1997; 2001), Gillion et al. (2000), McGillivray (2001), Castel and To (2012), Chen and Wu (2014), Nyland et al. (2006), Maitra et al. (2007), Nyland et al. (2011), Lesnik et al. (2014), Ronconi (2010), ILO (2017)
Financial consideration	Bailey and Turner (1997; 2001), Gillion et al. (2000), McGillivray (2001), Castel and To (2012), Nyland et al. (2006), Nyland et al. (2011), Gruber (1997), Nielsen and Smyth (2008), Melguizo and González-Páramo (2013), ILO (2017)
Lack of information	Holzmann (2014), ILO (2017), Nyland et al. (2011), Lesnik et al. (2014), Alkenbrack et al. (2015), Manchester (1999), Tomaz et al. (2014)
Bureaucracy/administration complexity	Bailey and Turner (1997; 2001), Gillion et al. (2000), McGillivray (2001), Alkenbrack et al. (2015), Enoff (2011), Tomaz et al. (2014), ILO (2017)
Trust issues to government	Bailey and Turner (1997; 2001), Gillion et al. (2000), Nyland et al. (2011), Han (2014)
Low reputational cost	Bailey and Turner (1997; 2001), McGillivray (2001), Gillion et al. (2000), Nyland et al. (2011),
Competition	Nyland et al. (2011), Chen and Wu (2014)

Employer's attributes	References
Firm's size	Bailey and Turner (1997; 2001), Mares (2001; 2003), Nyland et al. (2006), Chen and Wu (2014), Alkenbrack et al. (2015)
Economic sector (formal/informal) and ownership	Nyland et al. (2006), Nyland et al. (2011), Chen and Wu (2014), Han (2014), Alkenbrack et al. (2015), Van Ginneken (2010)
Risk of incidents	Mares (2001; 2003), Nyland et al. (2006)

Source: Author's own summary

3.5.2. *Workers' perspectives on social security participation*

Employers may be seen as the party deciding social security participation since they carry the responsibility. Nevertheless, some studies argue that employers often shift the burden of social security to their workers, particularly to their wages (Gruber, 1997; Castel and To, 2012; Melguizo and González-Páramo, 2013; Bosch, 2017). Moreover, Nielsen and Smyth (2008) argue that employers would increase their compliance if they could shift the burden to their employees. Hence, it is workers that eventually bear the burden, which then may affect their attitudes towards social security participation. Thus, workers might also play an essential role in deciding social security participation.

Beside the employers, workers also have an important role in deciding whether to enrol in the occupational social security programmes or not. In the cases where labour supply is higher than the available jobs, employees do not have much power to report employers or demand that they enrol them in a social security scheme. But some scholars (Bailey and Turner, 1997; 2001; Gillion *et al.*, 2000) mention that workers themselves play a crucial role in telling their employers that they prefer not to be included in social security programmes. Therefore, this subsection outlines some studies suggesting some reasons for the non-participation of workers.

Among several possible reasons for social security non-participation decision, one of the crucial aspects is around how the information regarding social insurance is delivered and how the information is processed by the targeted group of people. This issue is mainly related to workers, since employers are most likely already aware of their obligations through the authorities' enforcement efforts.

Some scholars have identified lack of knowledge as one of the reasons for non-participation action (Hu and Stewart, 2009; Lesnik, Kracun, and Jagric, 2014; Alkenbrack, Hanson, and Lindelow, 2015; Sieverding, 2016; Dartanto *et al.*, 2016; Giles *et al.*, 2021). Dartanto *et al.* (2016) highlight that a lack of insurance literacy prevents workers from participating in healthcare social insurance. Furthermore, Liebman and Luttmer (2015) discovered in their experiment that individuals are more willing to join social security programmes if they are provided better information.

Holzmann (2014) argues that three problems underly the information issues: lack of knowledge dissemination, limited cognitive abilities of the recipient in processing the information, and mental perceptions about risk and the future. Since social security is considered a compulsory programme, the providers have a big captive market and have no incentives to 'market' and extensively explain the programmes.

However, Holzmann (2014) goes on to state that, assuming the information is sufficiently disseminated, there is still another constraint, which is the unequal ability of people in processing the information. Lastly, psychological matters would affect people's participation behaviour. These psychological constraints may appear as a myopic view, including hyperbolic discounting,²⁷ procrastination,²⁸ and status quo bias.²⁹

This myopic view has also been pointed out by other scholars (Auerbach, Genoni, and Pagés-Serra, 2005; Bailey and Turner, 1997; 2001; Manchester, 1999; McGillivray, 2001; Sieverding, 2016) as one of the notable reasons for non-

²⁷ The near future benefits are far more favourable than those in the far future.

²⁸ Important things are replaced by less essential matters and immediate enjoyment is prioritised over more important tasks, which are delayed to a later time.

²⁹ People perceive that leaving a current state would bring more disadvantages than advantages.

participation in social security programmes. It means that it is hard for workers to see the distant need for social security in the current time when they have not been experiencing retirement or work injury, yet they have to contribute in the present time.

This myopia is also likely to be accompanied by the workers' financial situation. According to some researchers, financial conditions may also play a crucial role in non-participation decisions (Bailey and Turner, 1997; 2001; Jesse, 1999; Gillion *et al.*, 2000; McGillivray, 2001; Auerbach, Genoni, and Pagés-Serra, 2005; van Ginneken, 2010; Sieverding, 2016). They suggest that poorer workers or those who are experiencing financial hardship will attempt to maintain their subsistence consumption level by avoiding non-urgent costs like social security. According to Gillion *et al.* (2000), underprivileged employees may find their immediate needs so demanding that they seek to avoid paying social security. Similarly, Auerbach, Genoni, and Pagés-Serra (2005) argue that many people have a myopic view and limited financial conditions that mean they do not regard social security systems as providing benefits that meet their requirements; thus, they are unwilling to join the system.

Nevertheless, other scholars have reached different conclusions on this financial aspect. Dartanto *et al.* (2016) found that the social insurance premium is not a primary reason for not participating in social insurance. Sieverding (2016) adds that, although financial concerns seem to have an influence on non-participation behaviours, people are reluctant to pay because they cannot see actual advantages from making their contributions. Due to a lack of awareness of how the social security system works, as well as their inability to observe the implications of their wage deductions, workers might refuse to pay for social security and may even opt to

abandon formal employment in order to avoid salary deduction for social security (Perotti, 2012; Sieverding, 2016). Hence, this is also relevant to the issue of a lack of knowledge regarding social security.

Administrative difficulties may also have a consequence on the level of participation in social security programmes (Bailey and Turner, 1997; Ghai, 2015; ILO, 2017; Nagamine Costanzi, 2013). Ghai (2015) recognises various plausible explanations for the low participation rate in the BRICS (Brazil, Russia, India, China, and South Africa) countries, highlighting administrative problems as a major aspect. According to Ghai (2015), uncovered groups of employees may face challenges in comprehending administrative processes. Similarly, Nagamine Costanzi (2013) believes that because of administrative difficulties, micro-entrepreneurs and self-employed individuals are hesitant to participate in social security and that simplifying administrative processes, particularly for self-employed people, is the key to recruiting them.

Still connected to administrative issues, the absence of service offices in particular areas is also a critical concern for workers (Enoff, 2011; Ghai, 2015). People were hesitant to participate because they had to travel a considerable distance to collect benefits or register for the programmes. In this respect, Enoff (2011) contends that in order to improve the collectability of social security payments, coordination is needed between government agencies with certain public service roles to create collecting sites to make it easier for the public to access social security.

Another factor that may make workers hesitant to participate in social security is mistrust in the government as the administrator of it (Bailey and Turner, 1997; Jesse,

1999; Gillion *et al.*, 2000; McGillivray, 2001; van Oorschot, 2002; Sieverding, 2016). Workers might have a lack of confidence in the social security managed by the authority and the benefit value may appear to be low compared to their routine contribution. To some extent, it also means that workers may feel that the government lacks legitimacy. When authorities are facing legitimacy issues, it is even more difficult for them to expect voluntary participation from workers in the informal sectors. They may not be familiar with, or may distrust, the way the statutory social insurance schemes are managed. As a result, various groups of workers outside the formal sector have set up schemes that better meet their priority needs and ability to pay (Jesse, 1999). However, opposed to the mistrust argument, other scholars such as Sieverding (2016) found that trust in the government is not a key factor in people's non-participation choices. Thus, there are different views on the issue of trust in social security participation behaviours.

Law enforcement is another key factor cited in the research that might influence the level of social security participation. According to Gillion *et al.* (2000), both employees and employers have a number of motivations to avoid making payments or participating in social security, but such evasions are more likely to occur when enforcement is weak. McGillivray (2001) adds that effective enforcement is critical in countering social security evasion. He argues that a government's attempts to educate and persuade people to pay into social security would be ineffective unless there is appropriate enforcement. In terms of enforcement, Jansen (2009) adds that a low penalty for evasion will encourage employees to attempt evading social security payments. This long-standing weak enforcement environment may lead the public,

particularly employees, to believe that non-compliance with social security is a widely accepted practice (Bailey and Turner, 1997).

Some of the reasons employees do not register or do not pay social security payments have been discussed in the preceding paragraphs. However, aside from these reasons, several of the authors cited above suggest that specific attributes of workers are also associated with and influence workers' participation. Some of the workers' characteristics highlighted in connection to social security participation are shown in Table 3.2.

Table 3.2 Workers' attributes related to social security participation

Reference(s)	Workers' attributes
Auerbach, Genoni, and Pagés-Serra (2005)	<ul style="list-style-type: none"> - Employment status and industrial sector (most informal workers and self-employed do not participate in social security) - Education (unskilled workers are less attracted to participating) - Gender (married women less attracted to contributing) - Earnings (workers with earnings below the minimum wage are less attracted) - Age (young people are less attracted) - Size of employer (workers in small firms are less attracted)
van Oorschot (2002)	<ul style="list-style-type: none"> - Gender (men are more motivated to contribute to social security) - Age (older people are more motivated to contribute) - Education level (higher-educated workers are more motivated) - Income level (no direct effect)
Ghai (2015)	<ul style="list-style-type: none"> - Employment status (informal workers and self-employed often deal with challenges such as absence of local frontline service, complex administrative procedures, and low income and purchasing power) - Gender (women are more likely to be without social security) - Education (unskilled workers are more likely have no social

	security)
Nagamine Costanzi (2013)	Employment relationship (self-employed people tend to object about the contribution rate and the complexity of the administrative procedures)
Jesse (1999)	Employment status (informal workers see the social security contribution as being too high and not meeting their essential needs; they are often unfamiliar with social security and hence do not trust the system; government laws often make it difficult for informal workers to access social security)
van Ginneken (2010)	Employment status (informal workers do not prioritise pensions and have limited capacity to contribute to formal social insurance schemes)
Dartanto <i>et al.</i> (2016)	Economic sector (non-poor informal workers remain without social security because of self-enrolment system and they are lack of insurance literacy)
Giles <i>et al.</i> (2021)	Informal sector workers often do not participate in urban employee social insurance schemes

Source: Author's own summary

Workers do not participate in social security for a variety of reasons, according to the discussion in this section. Furthermore, Table 3.2 above shows that certain characteristics of employees are considered to be related to their participation status. Thus, to put it all together, Table 3.3 presents these aspects.

Table 3.3 References for workers’ reasons for social security non-participation

Workers’ perspectives

Reasons for non-participation	References
Lack of knowledge/information	Gillion et al. (2000), Jesse (1999), Hu and Stewart (2009), Sieverding (2016), Manchester (1999), Tomaz et al. (2014), Holzmann (2014), ILO (2017), Liebman and Luttmer (2015)
Myopic view	Bailey and Turner (1997; 2001), Gillion et al. (2000), McGillivray (2001), Auerbach et al. (2005), Perotti (2012), Manchester (1999), van Ginneken (2010), Holzmann (2014), ILO (2017), Castel and To (2012)
Financial capability	Bailey and Turner (1997; 2001), Gillion et al. (2000), McGillivray (2001), Jesse (1999), Auerbach et al. (2005), Ghai (2015), Sieverding (2016), van Ginneken (2010), ILO (2017)
Bureaucracy/administration complexity	Bailey and Turner (1997; 2001), Ghai (2015), ILO (2017), Nagamine (2013)
Absence of near collection/ service point	Ghai (2015), Enoff (2011)
Trust issues to government	Bailey and Turner (1997; 2001), Gillion et al. (2000), McGillivray (2001), Jesse (1999), van Oorschot (2002), Sieverding (2016)
Low enforcement and penalties	Bailey and Turner (1997; 2001), Gillion et al. (2000), McGillivray (2001), Auerbach et al. (2005), Jansen (2009), ILO (2017)
Common practice	Bailey and Turner (1997; 2001)
Restricted access	Gillion et al. (2000), Jesse (1999), Hu and Stewart (2009), Tomaz et al. (2014)
Alternative arrangement	Jesse (1999), Jung (2012), Esmara et al. (1986), Nootboom (2016)

Worker’s attributes	References
Employment status & economic sector (formal/informal)	Auerbach et al. (2005), Nagamine (2013), Ghai (2015), van Ginneken (2010), Gillion et al. (2000), Jung (2012), Esmara et al. (1986), Nootboom (2016), Jesse (1999), Hu and Stewart (2009), Sieverding (2016), Giles et al. (2021)
Age	van Oorschot (2002), Auerbach et al. (2005),
Education	van Oorschot (2002), Auerbach et al. (2005), Ghai (2015)
Gender	van Oorschot (2002), Ghai (2015), Auerbach et al. (2005),
Size of households	Auerbach et al. (2005)
Income level	Auerbach et al. (2005)

Source: Author’s own analysis

3.5.3. Government’s roles and perspectives on social security implementation

The architecture of the welfare provision system or welfare regime at the national level may be used to explain the degree of social security participation. Chapter 2 shows how the characteristics of different welfare regimes may be used to characterise how a country’s welfare provision system operates. Ultimately, the design of a country’s welfare system has the ability to influence the social security participation coverage rate. Social-democratic or universalist regimes, for example, are more likely to have high percentages of social security participation. Corporatists

may depend more on employers for social security participation, such that specific categories of workers, such as public officials, military personnel, and employees in major corporations, benefit from it first. Meanwhile, residual or productivist regimes may depend on economic development to sustain welfare provision, such that social security participation is not the government's primary goal under that regime in comparison to its economic growth.

The welfare regime's design is very likely to influence participation in the state's social security at the business and individual levels, namely employees and the self-employed. There may be disparities in the amount of participation between formal and informal firms, as well as between formal and informal employees, within the context of the 'informal welfare' system.

Apart from the discussion of welfare regimes and social security participation, it is also noteworthy to see that many studies in the earlier sections show evasion and avoidance of social security contributions as well as low participation in low-/middle-income or developing countries (Bailey and Turner, 1997; 2001; Jesse, 1999; McGillivray, 2001; Auerbach, Genoni, and Pagés-Serra, 2005; Nyland, Smyth, and Zhu, 2006; Ronconi, 2010; van Ginneken, 2010; Castel and To, 2012; Nagamine Costanzi, 2013; Lesmik, Kracun and Jagric, 2014; Alkenbrack, Hanson, and Lindelow, 2015; Sieverding, 2016). However, they provide various explanations for the reasons people in those countries participate or do not participate in social security. Van Ginneken (2010) concludes that there are different challenges to increase the coverage of social security participation between regions. He points out that sub-Saharan Africans face "formal-informal" challenges in extending coverage; in Latin America and the Caribbean region, success would be determined by the

improvement of social security affiliation systems such as by integrating contribution collection methods to the tax system; while in Asia and the Pacific, the main challenge is the low level of compliance culture. But other studies (Rofman, 2005; Pederson and Shekha, 2018) show that countries in the same region do not share exactly the same experiences. Individual countries have their unique set of characteristics and challenges which result in different reasons for social security participation. Each case tells a different story, which indicates the need to explore more cases in developing countries, particularly in countries where there is still a lack of this kind of study.

Aside from macro-level issues such as welfare regime design and macroeconomic management, the government's responsibility for social security participation is represented in challenges captured from the perspectives of employers and employees. For instance, it was said that one of the reasons employees did not register was a lack of information and comprehension of social security (Hu and Stewart, 2009; Lesnik, Kracun, and Jagric, 2014; Alkenbrack, Hanson, and Lindelow, 2015; Sieverding, 2016; Dartanto *et al.*, 2016).

Thus, a government can also be seen as contributing to low levels of social security participation in terms of the lack of attempts to communicate information to certain groups of workers. According to Holzmann (2014), the government plays an essential role in the supply side, which is responsible for providing insurance literacy initiatives. Several studies (Hu and Stewart, 2009; Lesnik, Kracun, and Jagric, 2014; Dartanto *et al.*, 2016) also urge governments to invest more in social security education activities.

Another aspect of the government's responsibility is setting the level of contribution and the mechanism of funding social security. As we saw in sections 3.5.1 and 3.5.2 above, there is a lot of literature that says both employers and workers may not participate in social security for financial reasons (Bailey and Turner, 1997; 2001; Gillion *et al.*, 2000; McGillivray, 2001; Castel and To, 2012; Nyland, Smyth, and Zhu, 2006; Nielsen and Smyth, 2008; ILO, 2017; Jesse, 1999; Auerbach, Genoni, and Pagés-Serra, 2005). In this instance, the government is also expected to consider the workers' financial ability to pay contributions.

The next issue related to the government's role is administration issues such as procedures and the administrative requirement to participate/contribute to social security. Its administrative procedures or actions may also create a conducive environment for the non-participation behaviour of employers and workers. In this case, employers and workers would also assess whether they can meet the administrative requirements, understand complex procedures, or question the government's ability to manage the fund (Manchester, 1999; Hu and Stewart, 2009; Perotti, 2012; Nagamine Costanzi, 2013; Lesnik, Kracun and Jagric, 2014).

In addition to the complexity of procedures, there are other additional administrative issues that need government attention, such as the lack of local service offices (Ghai, 2015; Enoff, 2011) and limited access to social security registration for specific groups of workers like the self-employed and informal workers (Jesse, 1999; Gillion *et al.*, 2000; Hu and Stewart, 2009; Lesnik, Kracun and Jagric, 2014).

Governmental capacity to manage social security has been highlighted by some scholars as an essential determinant of low rates of social security contribution and

coverage. Saavedra and Tommasi (2007) emphasise that it is the inability of the state to perform decent redistribution programmes and public services that translates into low trust, low level of contribution collection, and low social security participation. In addition, Enoff (2011) points out that the government should pursue the improvement of good administrative governance to extend social security coverage.

The government has the responsibility for providing the social policy and its apparatus and enforcement. However, many scholars indicate that governments often have problems or are reluctant in enforcing social security participation and contribution (Gillion *et al.*, 2000; McGillivray, 2001; Nyland, Smyth, and Zhu, 2006; Maitra *et al.*, 2007; Ronconi, 2010; Chen and Wu, 2014; Lesnik, Kracun and Jagric, 2014). Many scholars argue that law enforcement is so important that the multiple reasons why enterprises and workers do not participate in social security are ultimately due to inadequate enforcement (Gillion *et al.*, 2000; McGillivray, 2001; Jansen, 2009).

From a business standpoint, the authority's inadequate enforcement creates an uneven playing field in which it does not treat all enterprises equally, giving some competitive firms the advantage of not completely fulfilling their contribution obligation (Nyland, Thomson, and Zhu, 2011). This adds to the argument that the government's role in law enforcement is critical in defining a country's level of social security participation.

Based on the discussion in this section, it is possible to infer that the government has an essential influence on a country's level of social security participation. The government's role may be at the macro level, such as designing the welfare regime,

which includes the social security system, and managing macroeconomic conditions. Furthermore, public perception, particularly of employers and workers, reflects the government's role in social security management. Table 3.4 highlights the government's role in terms of social security participation.

Table 3.4 Government roles and perspectives on social security participation

Macro level	Relevant reference(s)
Welfare regime and design of social security system	Arts and Gelissen (2001), Andreß and Heien (2001), Blekesaune and Quadagno (2003), Taylor-Gooby et al. (2018)
Macroeconomic (national economic condition)	Goough et al. (2004), Ramesh (2000), Pérez-Baltodano (2013), Van Ginneken (2010)
Social security management level	Relevant reference(s)
Information dissemination/campaign	Holzmann (2014), Hu and Stewart (2009), Lesnik, Kracun, and Jagric, (2014), Dartanto et al. (2016)
Determining contribution and benefits rate and financing method	Bailey and Turner (2001), Gillion et al. (2000), McGillivray (2001) Castel and To (2012), Nyland, Smyth and Zhu (2006), Nielsen and Smyth (2008), ILO (2017), Jesse (1999), Auerbach, Genoni and Pagés-Serra (2005)
Administration/bureaucracy management	Enoff (2011), Gillion et al. (2000), Hu and Stewart (2009), Tomaz, Davorin and Timotej (2014)
Enforcement and penalties	Gillion et al. (2000); McGillivray (2001), Nyland, Smyth and Zhu (2006), Maitra et al. (2007), Jansen (2009), Ronconi (2010), Chen and Wu (2014), Tomaz, Davorin and Timotej (2014)

Source: Author's own analysis

3.5.4. Building a theoretical framework based on previous studies

Taking ideas from the numerous studies mentioned in the preceding sections, this section attempts to construct a theoretical framework to explain a country's social security participation gap. Using previous studies as references, it can be inferred that, in general, public participation in the social security system may be accounted for at the state/national, employer/business and worker/individual levels. Section

3.5.1 contains research that discuss reasons for non-participation from the perspective of employers. Section 3.5.2 then explains it from workers' point of view. Meanwhile, section 3.5.3 identifies government-related factors that may influence a country's level of social security participation.

Furthermore, we may construct the theoretical framework by referring to the summary of each of those subsections taken from Table 3.1 (page 72), Table 3.3 (page 79), and Table 3.4 (page 84). However, in hindsight, certain points in the tables seem to have merged into other points owing to their close proximity. This is particularly apparent in the workers' perspective part.

According to Table 3.3, some workers might reason that their non-participation is due to the lack of a service office in their region. This absence of service points indicates that the government does not offer adequate administrative services, requiring workers to exert more effort to undertake administrative processes such as registration, reporting, and benefit claims. As a result, these points can be grouped together as 'administrative issues'.

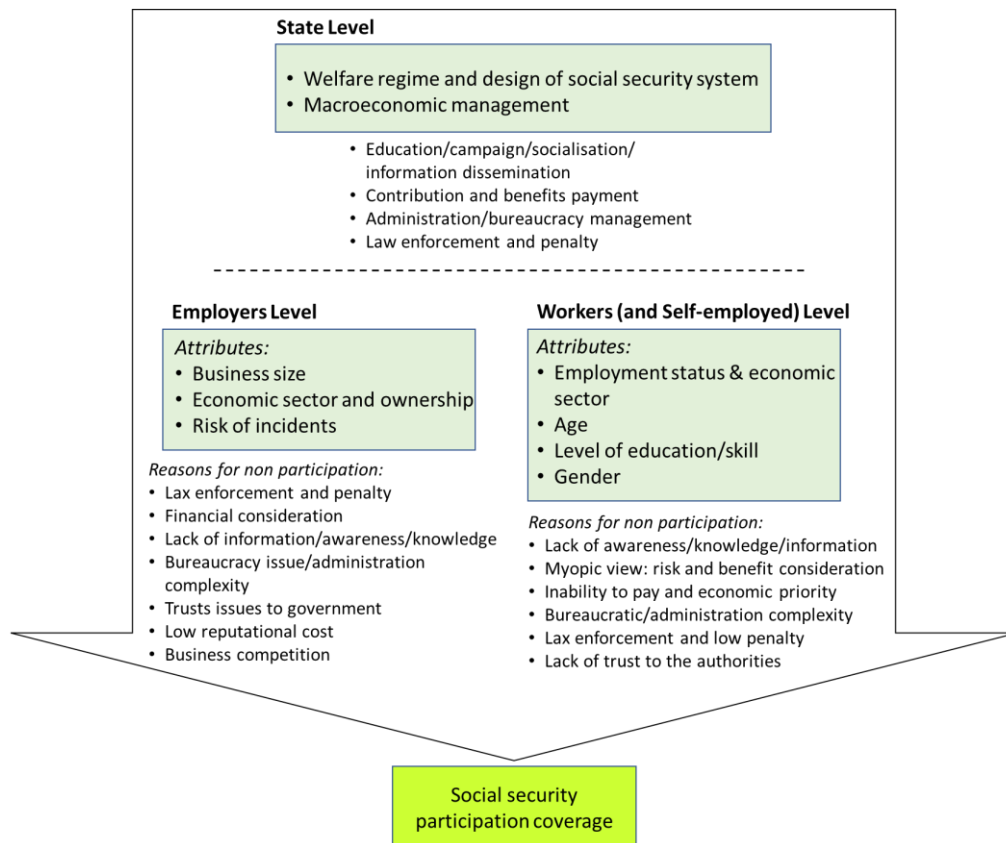
The point concerning 'restricted access' is another point that may be added into bureaucracy/administrative issues. Because of laws that prohibit some groups of workers from being enrolled in the social security system, certain workers have restricted access to social security. Arguably, this might be seen as a bureaucratic/administrative obstacle.

In addition, two items in Table 3.3, namely 'common practice' and 'alternative arrangements', can be dropped since they are closely connected to other points. Because of poor enforcement, workers may see social security evasion as a

‘common practice’. Similarly, ‘alternative arrangements’ can be removed because it is associated with the public’s lack of trust in social security authorities.

Finally, a theoretical framework is offered to comprehend the many reasons why there is a social security participation coverage gap, as illustrated in Figure 3.3 below, by integrating all of the components in the tables mentioned above and making certain adjustments.

Figure 3.3 A theoretical framework to understand the social security participation coverage gap



Source: Author’s own analysis based on previous literature

3.6. Summary

Social security systems are extensively implemented across the globe and are often seen as crucial for ensuring the well-being of participants. In this regard, the state's role in establishing and implementing the programme is seen as critical. Many studies argue that the government must have a prominent role in delivering this social security programme given the risk of 'market failure' and the programme must be 'mandated' by the state since not everyone is willing and able to plan for future risks.

However, support for the state welfare system varies. Not everyone fully supports the state's central role. There has been a lot of scholarly debate concerning popular views toward state welfare programmes. In general, personal interests or personal values associated with the execution of the social provision programme are the source of these public views. The origins of these views are also linked to personal characteristics such as socio-economic class, educational level, job sector, and political affiliation.

However, since this thesis is concerned with the level of participation in social security, the study of public views will concentrate on the multiple public reasons for participating or not participating in social security. As noted in earlier chapters, many individuals are still not enrolled in social security schemes. This condition may be induced by the design of social security, such as administrative constraints, as well as practices of evasion and avoidance.

Many developing countries, including Indonesia, are dealing with participation coverage gaps. This situation may be explained at the national government level by

the design of the welfare provision system, particularly the social security system, as well as at the corporate and individual worker levels. This chapter has shown several studies that propose reasons why businesses and workers may be unwilling to participate in social security programmes.

Finally, this chapter has presented a theoretical framework based on past studies to explain why businesses and workers do not participate in social security systems. The framework posits that the explanation may be understood from three levels representing three major groups in social security implementation, namely the state/national, employer/enterprise, and worker/self-employed levels. Furthermore, this framework provides several reasons for the actions of members of each of these groups, as well as the attributes that follow them, from their perspectives.

CHAPTER 4. METHODOLOGY

4.1. Introduction

This chapter discusses in detail the research approach and procedures utilised to generate this thesis. However, in general, I can state that I employed a qualitative approach in my study. This qualitative approach is reflected throughout this chapter, beginning with the data collection and analytic methods used, ethical considerations, and self-reflection on the research procedures. To present these procedures, this chapter is structured as follows.

Section 4.2 of this chapter reiterates the research questions, which are the underlying topics that this thesis tries to address. Then, in section 4.3, I describe my research paradigm and why I selected a qualitative approach. Section 4.4 elaborates on the data collection procedure via interviews in detail, beginning with the recruitment of respondents and concluding with the interview procedure itself. Section 4.5 describes the data analysis procedures that I used, beginning with preparing the data so that it was ready for analysis and ending with data abstraction and interpretation. In section 4.6, I present a self-reflection regarding my positionality in this study, revealing that I am an 'insider researcher' rather than 'only' a researcher. At the end of this chapter, section 4.7 presents my efforts to preserve the study's ethics by continuing to pay attention to research ethical considerations.

4.2. Research questions

As indicated in earlier chapters, Indonesia continues to face challenges in expanding social security participation, particularly in employment social security (*Jamsostek*). This has become more of an issue since the 2014 social security reform, which compelled state administrators to provide social security to all Indonesians. In terms of employment social security, this entails covering all Indonesian workers. Furthermore, a review of the literature reveals that there has been little academic research on social security in Indonesia, particularly on *Jamsostek* participation. These observations highlight the necessity for scholarly investigation into the reasons why *Jamsostek* participation rates have not yet attained the goals laid out in the Indonesian constitution.

In this respect, the purpose of this thesis is to study why there is a participation gap in employment social security in Indonesia. As a result, the primary research question of this thesis is as follows:

What explains the participation rate of Indonesian employment social security (Jamsostek) programmes?

In order to answer the primary question and get a deeper understanding of the issue, this research looks at the perspectives of the three main groups involved in employment social security: employers, workers, and members of government agencies as policymakers. As a consequence, this study will provide answers to the following sub-questions:

1. How do employers perceive and respond to *Jamsostek's* implementation? Why do they register their employees in *Jamsostek* or not?
2. How do employees view and respond to *Jamsostek's* programmes? Why do they or don't they participate in *Jamsostek*?
3. How do members of the government agencies view and interpret the policies and implementation of the *Jamsostek* system?

4.3. Qualitative research approach

As implied in the research questions outlined in the previous section, the purpose of this study is to explore the perspectives of three main groups, namely employers, workers, and policymakers, on *Jamsostek* participation. The way I view reality in the world influences how I answer research questions and achieve research objectives. I believe that everyone has a point of view that is shaped by their experiences, knowledge, social interactions, and the norms that surround them. In other words, context is critical for understanding this problem. However, I do not totally believe that reality is wholly based on human interpretation and understanding. I believe there is truth out there that we can only partly comprehend via the prism of many views. To enrich and approach the reality of the answers to research questions, I also examined past studies on social security participation, which were then synthesised into a theoretical framework to comprehend the various reasons for non-participation in social security.

It should be noted, however, that this research makes no attempt to test a hypothesis or establish a relationship between variables. Although this study provides a

theoretical framework to guide the analytical process, it does not specifically test theories or hypotheses. The key driver of this research, as implied by the research questions above, is to 'understand' the reasons for *Jamsostek* non-participation behaviour and how the three groups involved in this study perceive *Jamsostek* programmes.

My point of view seems to be ontologically closer to critical realism. According to Braun and Clarke (2013), knowledge is considered to be socially affected and is supposed to represent a reality that we can only partly access. This state of partial reality is also associated with a circumstance that the respondents may find difficult to discuss. It should be noted that the goal of this research was to investigate people's motivations for not participating in social security, which is a government programme in which all workers should participate.

In this respect, I believe statistical measures would not capture human perspectives in depth. Thus, I prefer to contact or speak directly with members of targeted groups and gain their trust to speak openly. With this in mind, I decided to use qualitative approaches in this research. This condition is consistent with the recommendations of several scholars (Creswell and Poth, 2018; Braun and Clarke, 2013) that a qualitative approach is preferable if researchers want to delve deeper into an issue or problem, because it allows individuals to share their stories and be heard. Qualitative research examines social facts or conditions and attempts to comprehend the meanings that individuals assign to them (Denzin and Lincoln, 2013).

Furthermore, I conclude that a qualitative approach is appropriate for this research because, as described by Braun and Clarke (2013), qualitative research: allows

researchers to gain insights from people's own framing of the phenomena being studied; preserves the complexity of people's experiences and meanings; allows respondents to use their own language to reveal the messiness of and contradictions within ideas; and is open-ended, exploratory, and flexible.

The reason for taking this qualitative approach is furthermore supported by the condition that there are no studies that specifically investigate employment social security participation in Indonesia, so there is a need for studies that attempt to develop theories in this area. Although several studies of non-participation in social security measures in other developing countries have been conducted (Alkenbrack, Hanson, and Lindelow, 2015; Auerbach, Genoni, and Pagés-Serra, 2005; Castel and To, 2012; Chen and Wu, 2014; Dartanto *et al.*, 2016; Giles *et al.*, 2021), these studies employed statistical approaches that provide a broad picture of trends, associations, and relationships. They do not tell us about the processes that people go through, why they act the way they do, the contexts in which they act, or the deeper thoughts and behaviours that govern their actions.

Under these conditions, this study intends to use a qualitative approach to fill the gap in existing studies in the Indonesian context. I believe that by using a qualitative approach, this research will be able to acquire a better understanding of the reasons behind *Jamsostek's* low participation rate. Because of the lack of specific academic research on *Jamsostek* participation, this qualitative method was considered more suitable. This is consistent with Creswell and Poth's suggestion (2018) that qualitative research is needed in order to develop theories when partial or inadequate theories exist for specific populations and samples, or existing theories do not

adequately capture the complexity of the problem under consideration. Creswell and Creswell (2018) add that in cases when the study field is under-explored, a researcher may not be aware of the relevant factors to investigate, thus he or she ought to do qualitative research on a specific group of individuals or sample.

The argument supports Braun and Clarke's (2013) assertion that one of the purposes of qualitative research is to construct a theory from a comprehensive account of events or experiences or the voice of a group on an issue. In this respect, I provide a theoretical framework at the conclusion of this thesis to explain why the degree of participation in social security in Indonesia, particularly *Jamsostek*, has not yet achieved the level intended in the state constitution.

To explain the operational features of this study, the subsections that follow offer more explanation of the research design in terms of qualitative data collection and analysis.

4.4. Data collection

4.4.1. Interviewing

As mentioned in the preceding sections, I employed a qualitative approach in my study. However, it was necessary to first determine whether the data should be derived from a naturally existing circumstance or generated.

According to Ritchie and Lewis (2018), 'naturally occurring data' occurs outside of study, such as in texts or interactions and behaviours. This information might originate from recorded discussions, media coverage, policy papers, blogs, diaries, case files, public archives, the internet, and other sources. 'Generated data', on the

other hand, is developed expressly during the study process through an interaction between researcher and participant, such as an interview or group discussion.

Ritchie and Lewis (2003) suggest that one important issue to examine is the focus of researcher-participant interpretations. 'Naturally occurring data' emphasises the researcher's interpretation of social situations or events, while 'generated data' mainly focuses on participants' explanations, meanings, and interpretations.

To choose the appropriate form of data, we must revisit the research objectives and research questions. The study's objective is to get a better understanding of the perspectives of the three parties directly involved in the employment social security system: the government, employers, and employees. Because this research focuses on understanding the respondents' perspectives, I decided to use the 'generated data' method.

Individual interviews and focus groups are the most common methods for gathering 'generated data'. The type of the data sought, the topic matter, and the study population are all important considerations (Ritchie and Lewis, 2003). In terms of data nature, an in-depth interview is best utilised for obtaining detailed personal accounts and analysing themes in greater depth. Meanwhile, a focus group is effective for gathering data that is refined via group interactions, where a group setting is more appropriate for creative thinking or problem solving. In terms of topic matter, an in-depth interview would be appropriate for understanding an individual's mental processes, such as motives, decisions, or effects. On the other hand, a focus group provides insight into phenomena by demonstrating social norms drawn from a group of individuals.

As I mentioned in section 4.4, I believe we can only get a portion of a 'reality', such as the answers to those research questions. As a result, the best we can do is seek answers from many perspectives in order to approach this 'reality'. Thus, this research focuses on individual people rather than groups, based on the idea that everyone has a distinct point of view. Hence, I attempted to address the research questions by eliciting rich insights and meanings from individuals who were part of the groups being studied. Based on this, I decided that interviews, rather than focus groups, were a better fit for this study.

Furthermore, the topic of this study is understanding the rationale behind non-participation in *Jamsostek*, in which all employers and employees are expected to participate. So there was a risk of issues concerning respondents' participation status. The data-gathering procedure might expose their registration status as well as their innermost motivations, which they would not discuss in front of a group of people. Hence, I preferred one-on-one interviews to guarantee anonymity and the respondents' comfort in sharing their opinions. This is consistent with Gray's (2014) argument that an interview is often the best method to allow people to comfortably share confidential information. Braun and Clarke (2013) add that interviews may be the best method for exploring understandings, perceptions, and attitudes from someone who has a personal stake in the things being studied, whereas focus groups are better when participants do not have a personal stake in the issue being studied.

4.4.2. Respondent recruitment

The research was originally intended to cover just two primary groups, employers and workers, but the policymakers group was eventually also included. However, we will first go through the recruiting procedure for the first two groups.

According to the theoretical framework (see Chapter 3, section 3.5), the economic sector or employment status (formal/informal) of employers and workers, as well as the size of their firm, are quite dominating. As a result, this research was designed to attempt to get a balanced response based on these two key criteria.

Some characteristics for employers and workers had been established during the planning stage. Employer participants are classified based on their economic sectors (formal/informal) and firm size. Meanwhile, the workers group includes their employment status (formally/informally contracted) and employer's business size, and it also covers the self-employed. The number of worker-respondents in each group was balanced proportionally, and they did not come from the same firms as employer-respondents. As a result, there are seven categories of participants based on the criteria outlined below.

Table 4.1 Groups of employer and worker respondents

Role	Economic sector/ employment relations	Business scale	Operational description
Employer	Formal	Small/medium	Owner/managerial position of personal business/business enterprise which has net assets of more than Rp50 Million (approx. £2,800) and less than Rp10 Billion (approx. £555,500); OR annual

			sales of more than Rp300 Million (approx. £16,700) and less than Rp50 Billion (approx. £2,800,000); OR employs 5–99 workers.
		Large	Owner/managerial position of business enterprise which has net assets of more than Rp10 Billion (approx. £555,500); OR annual sales of more than Rp50 Billion (approx. £2,800,000); OR employs at least 100 workers.
	Informal	Micro/home industry	Owner of personal business or home industry which has maximum net assets of Rp50 Million (approx. £2,800); OR maximum annual sales of Rp300 Million (approx. £16,700); OR employs 2–4 workers.
Workers	Formal	Small/medium	Those who work at small/medium enterprises with a main employment status as a labour/worker/employee with formal industrial relationship.
		Large	Those who work at large enterprises with a main employment status as a labour/worker/employee with formal industrial relationship.
	Informal	Micro/home industry	Those who work at a micro/home industry with a main occupational status as temporary workers or no official work contract.
		Self-employed	Those who do business on their own, without working for other people or business enterprises, and freelance workers.

However, this research was planned prior to the onset of the COVID-19 pandemic. As a result, the original planning did not account for the presence of specific constraints related to this. Initially, data for this study was to be gathered via face-to-face interviews in the research target region, namely Indonesia. Therefore, before I travelled to conduct the fieldwork, I had already begun the process of remotely

looking for respondents through electronic invites such as emails and social media groups.

The employer participant recruitment was done through formal and informal routes. In the former approach, I sent a formal request by sending official letters to the head of the relevant unit in the associations and firms and also advertised it through other channels such as mailing lists. Meanwhile, for the informal path, I contacted the members of the Indonesian Employers Association (APINDO) for medium and large firms and officials from the Association of Micro and Small-Medium Businesses (AKUMANDIRI) and the Forum of Small and Micro Enterprises (KOMPAK) for micro/home industries.

In addition to long-distance communication, the next step of recruiting, according to the initial plan, would be via direct contact in Indonesia. Employers in micro businesses would be directly recruited by visiting traditional trade hubs, informal markets, and other small business centres. I was supposed to fly to Indonesia on March 15, 2020. However, soon before the fieldwork, the COVID-19 pandemic situation imposed several limitations, including flying limits and restrictions on entering the destination country's territory.

After initially ensuring that I could fly to Indonesia, I received words from numerous possible respondents that they did not want to meet face to face with me owing to the ongoing spread of COVID-19, particularly as I would be travelling from outside Indonesia, from the United Kingdom. With these thoughts and advice from my supervisors, I cancelled my travel to Indonesia since it was clear that face-to-face interviews were not feasible at that time.

This pandemic also had an impact on the recruiting strategy for worker respondents. Initially, worker participant recruitment was planned to be carried out by contacting worker associations, such as merchant associations and worker communities; screening in places where potential participants were most likely to be found, such as trading centres and business centres; providing posters or advertisements for recruitment; and conducting short interviews with workers in those areas to find people who met the group criteria. But because of the pandemic situation, I could only depend on long-distance communication channels, such as social media advertising, and then snowball referrals from there.

The process of recruiting respondents from the policymaking group then followed. As previously stated, the initial plan was for this study to take only the perspectives of two primary groups, namely employers and workers, and to obtain the government's position from papers of relevant legislation covering the implementation of social security in Indonesia. However, during interviews with companies and workers, remarks and public expectations about the role of the government or social security administrator were often observed. As a result, it became clear that it was vital to get a response from authorities in the relevant government agencies. This development demonstrated the need to include the government/administrator group in the study to acquire a more thorough picture of the issue being researched.

The estimated number of respondents required for this research is the next aspect that should be noted here. Estimating the number of respondents deemed to be sufficient for the development of the thesis was an important aspect of the planning stage of this study. Nonetheless, determining sample size in the early phases of a

qualitative study was challenging since the size would be adjustable dependent on the actual data being obtained, whether the data had achieved saturation, and whether the interviews would lead to more crucial participants. However, the sample size should be set ahead of time as a guideline. According to Bryman (2016), sample size in qualitative approaches varies widely across studies, making an officially suitable sample size hard to identify. He does, however, mention that the typical sample size for most qualitative studies is about 30 individuals. Similarly, Braun and Clarke (2013) recommend that at least 20 respondents engage in in-depth interviews for large-scale qualitative research (in this instance, the thesis) that employs interviews.

The sample size, however, is not the most important aspect in ensuring the quality of the research results. It is more important to choose appropriate persons with relevant backgrounds and build a solid rapport with them so that the interviews produce deep and adequate data. As a consequence, a purposive sampling approach was used. According to Bryman (2016), purposeful sampling is non-probabilistic, with samples selected based on their relevance to the research aims. The characteristics of employers and workers respondents have been outlined in Table 4.1 above. For the policymakers' group, I identified relevant official positions and government agencies.

However, this research supports the notion of open and voluntary participation. Although the purpose of the research is to understand the reasons for non-participation in *Jamsostek*, I was not especially seeking respondents who do not comply with *Jamsostek* participation. I welcomed all employers and workers, whether or not they were already participating in *Jamsostek*. The respondents' *Jamsostek*

participation status was unknown until the interview procedure began. Eventually, this approach obtained useful information from both individuals who comply and those who do not comply in terms of their reasons for participating or not participating in *Jamsostek*.

I anticipated that this voluntary, distant recruiting would get a low response rate. However, the pandemic restrictions at the time only allowed for such a possibility. It was heartening that some people contacted me to ask further questions about this study, albeit this did not necessarily result in consent to participate in the interviews.

The formal employees were the first to participate, and the first interview was held on March 16, 2020. Only two people contacted me after seeing my invitation in social media groups. After they decided to participate, the two volunteered to share the invitation with their social media groups. I had a satisfactory number of replies from this. Even better, responses came from a range of work environments with varying firm sizes.

Within approximately a month, I had 13 formal worker respondents, with six from small-medium businesses and seven from large corporations. Following that, I decided not to pursue respondents from the formal worker group anymore since I had seen the same patterns that indicated data saturation in general.

Employer-respondent recruiting had more challenges. The first respondent was an informal business owner who were interviewed on March 28, 2020. After roughly a month, the number of respondents in this group had grown to only three people. Then I looked for another channel to fill in the gaps in this category.

In order to gather responses from the informal employer/micro-entrepreneur category, I contacted various organisations of micro and small-medium businesses. However, only the Forum of Small and Micro Enterprises (KOMPAK) replied favourably. They decided to invite members of their group, which included hundreds of microbusinesses, to participate in the research. Following that, I got three further responses from informal employers by mid-May 2020. In summary, I acquired all of the informal employer respondents (six respondents) within 1.5 months.

Formal employer was a category that was taking its time to fill. The first time I gained interview confirmation was on March 19, 2020. Following that, I had no responses from other firms. As previously indicated, I made an official attempt to connect with business associations in order to get formal employer responses. However, this formal method did not instantly work. Nevertheless, after several months of me following up on my request, the association eventually provided a list of firms that were interested in participating in the research. After more than seven months, I was satisfied with the data I had from six respondents in the formal employer category.

The recruitment of self-employed and informal worker respondents was equally challenging. Because I could not find any informal worker organisations, it was difficult to entice them via remote recruitment. As a consequence, I was reliant on the voluntary participation of the recipients of countless invitations that were extended. The first self-employed respondent was interviewed on April 22, 2020, and the final respondent was interviewed on June 22, 2020. Meanwhile, I could only obtain three informal-worker respondents, who were recruited in November 2020.

Respondent recruitment from government agencies and social security administrators, on the other hand, needed a different approach. I identified several government official positions that are directly related to the *Jamsostek* system's implementation, including members of the BPJS Ketenagakerjaan Board of Directors, the BPJS Ketenagakerjaan Supervisory Board, the National Social Security Council (DJSN), the Ministry of Employment, and the Ministry of Finance. I formally sought interviews using the official email addresses of such institutions. However, none of these formal enquiries received a response. As a result, I sought out connections with policymakers' assistants or secretaries, which proved more effective in securing permission from these individuals.

However, even using this approach, the recruiting process still took about three months from the first interview to the last interview. On November 3, 2020, I began sending interview invitations to policymakers, and on November 17, 2020, the first respondent consented and I conducted the interview. The last respondent in this group was interviewed on January 25, 2021. Nevertheless, by the end of the data collection process, I had been able to recruit seven policymakers from the 31 positions that I identified as relevant to this research.

In general, remote respondent recruitment has its own set of obstacles. When it was discovered that someone was interested in participating in this study, I contacted them. I attempted to recruit potential participants by establishing common trust, disclosing the study's purpose and values, and displaying the endorsement letter from the sponsor and the university in order to make a formal request and gain the

participants' confidence. Overall, this survey was able to recruit a total of 40 respondents.

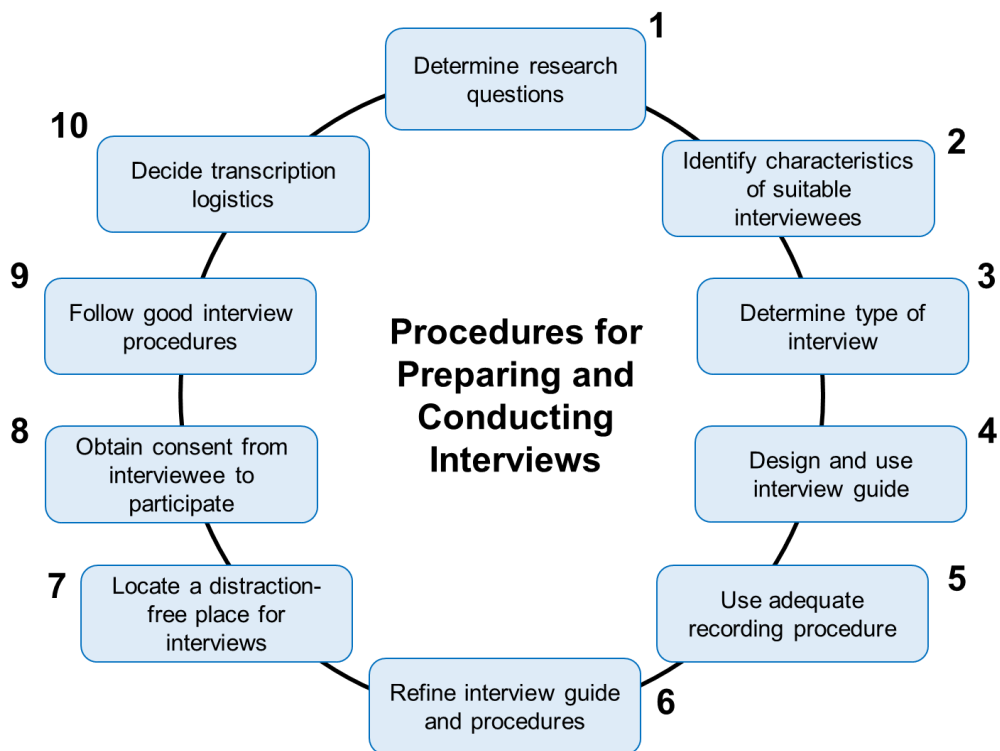
Table 4.2 Number of conducted interviews

Role			Expected number of respondents	Actual number of interviewees
Government	Social security agency		6–8	7
	Related government institutions			
	Economic sector	Business scale		
Employer	Formal	Small/medium	4–6	3
		Large	4–6	3
	Informal	Micro/home industry	4–6	6
Workers	Formal	Small/medium	4–6	6
		Large	4–6	7
	Informal	Micro/home industry	4–6	3
		Self-employed	4–6	5
Total number of respondents			34–48	40

4.4.3. Conducting the interviews

In this research, as previously stated, I collected data via one-on-one interviews. It was vital that appropriate interview practice was followed to guarantee that the interview process would produce adequate, reliable data while adhering to the principles of ethical research. In this respect, I adapted Creswell and Poth's (2018, p.233) guidance on preparing and conducting interviews (see Figure 4.1 below).

Figure 4.1 Procedures for preparing and conducting interviews



Source: Adapted from Creswell and Poth (2018, p.233)

The first and second steps in Figure 4.1 above have been covered in previous sections. The first step, namely the determination of the research questions, is addressed in section 4.2, while the second step is discussed specifically in section 4.4.2. Thus, this section discusses the next procedures, starting with step three as shown in Figure 4.1.

4.4.3.1. Determine type of interview

Scholars often distinguish between three kinds of interview: structured, unstructured, and semi-structured (Brinkmann, 2018; Bryman, 2016; Gray, 2014). According to the framework above (Figure 4.1), it is necessary to clarify the form of interview that was employed in this research.

Structured interviews were not appropriate for this research since they are more supportive of quantitative analysis with standardised questionnaires and minimal interaction between interviewers and respondents (Gray, 2014). Unstructured interviews, on the other hand, are the most open-ended kind of interview, with the interviewer using an *aide-mémoire* as a prompt to cover a variety of topics. Respondents are allowed leeway to expand on their answers to questions, even if only one question has been asked. Interviewers may only respond occasionally in response to certain issues that they believe ought to be followed up on.

Semi-structured interviews, in my opinion, were best suited for this study. As shown in Chapter 3, I had already acquired preliminary knowledge of the issues based on previous studies about social security non-participation that later would contribute to the interview guide (see section 4.4.3.2). With semi-structured interviews, I could maintain control over the interview's direction based on the interview guide but still allow respondents to respond freely. Using this method, I could ensure that the data acquired covered the topics that needed to be examined further without precluding the discussion of issues not foreseen in the interview guide.

4.4.3.2. Design interview guide

Several academics (Brinkmann and Kvale, 2015; Creswell and Poth, 2018) highly recommend and even require qualitative researchers to utilise an interview guide to help them focus on the direction of the interview and acquire excellent data. In this situation, the interview guide does not include particular questions but rather open-ended enquiries that enable interviewees to respond freely (Creswell and Poth, 2018).

For this reason, prior to data collection, I produced an interview guide (Appendix 7). This interview guide was created based on a review of prior studies that identified some of the main issues that may emerge during the discussion of social security participation. Although the interview guide was written in English, I conducted the interview in Indonesian for the convenience of both myself and the respondents.

As stated in Chapter 3, I created a theoretical framework based on existing research to explain why enterprises and workers do not participate in social security systems (see section 3.5.4). The framework identifies several reasons for non-participation. These reasons outline the themes that were discussed further throughout the interview process. Hence, these themes were included in the interview guide and viewed as a form of checklist on the topics to be discussed during the interview rather than as a strict instrument. Next to each of these topics, two checkboxes were provided to indicate whether, as an interviewer, I was happy with the respondent's response or whether additional questioning was required. I provided probing questions under each main topic to go further into the replies. It was therefore expected that the interview would be conducted in a flexible manner. As a result, it was important that I, as the researcher, should maintain a good atmosphere so that respondents would interact fluidly, allowing open and even unanticipated responses. The unanticipated responses would then be considered for modifications to the interview guide for the next interviews.

4.4.3.3. Use adequate interview recording

The conversation in each interview is the primary source of data in this research. Hence, every interview needed to be recorded in order to enable transcription and

data analysis. However, as part of the ethical research principles, I constantly reminded myself that any interview recording must first be agreed upon by the respondents (see sections 4.4.3.6 and 4.7.1).

Because this is primary data, it must be protected in terms of quality, storage capacity, and the security of retaining the recorded file. One of the most important components of preparing for the interview in this regard was ensuring that I had sufficient recording equipment. I used three recorders at the same time throughout each interview. My laptop served as the third recording device, along with two portable digital voice recorders. In this way, I ensured that no interview data would be lost.

There were numerous occasions where the usage of several devices saved my data. During one interview, for example, one of my voice recorders stopped operating because the storage capacity was full, while another device ran out of battery power. I did not realise this until after the interview was completed. Fortunately, I had a backup, which was the laptop recording.

After each interview, I double-checked the recording quality. The recording file was then transferred to my laptop, with a code assigned to each file name. I only kept one file from each interview – the highest quality one from the three recording devices.

4.4.3.4. Refine interview guide and procedures

Several researchers, like Creswell and Poth (2018) recommend that interview questions and procedures be refined on a regular basis, one of which is via pilot testing. However, in this research, I did not do pilot testing prior to the main interview

procedure. I believed my interview guide was flexible enough to cover the main issues; all I needed to do was adapt it from one interview to the next depending on my experience.

In general, I did not modify the main theme questions but rather added to the probing enquiries. Indeed, some new themes emerged during the interviews. Hence, I included those aspects into the interview guide for subsequent interviews. Examples of these new aspects include the dynamics of communication between employees and their employers, as well as the impact of social pressure on employers' *Jamsostek* participation decision (discussed further in section 4.5).

4.4.3.5. *Locate a proper interview place and time*

One factor that may contribute to researcher and respondent comfort throughout the interview process is the venue of the interview. Creswell and Poth (2018) recommend a distraction-free location for a private conversation that is also suitable for audio recording. However, because of the COVID-19 pandemic, I was unable to carry out this advice.

Unlike the original plan, which intended face-to-face interviews, the interviews were conducted remotely due to COVID-19 limitations in both Indonesia and the United Kingdom during the fieldwork period. As a consequence, the majority of the interviews with employers and workers were done over the phone. Meanwhile, all interviews with policymakers were conducted by video call.

Despite the fact that the interviews were done online, I made certain that the time and location were convenient for the respondents. On my end, I designated a room in

my home as a study room with a door that could be firmly closed to eliminate noise disturbance. This allowed me to concentrate on conducting interviews and producing high-quality recorded sound.

However, there were some challenges in carrying out these remote interviews. For starters, not all potential respondents, especially micro and small-scale self-employed workers, had adequate internet access. Even when these prospective respondents agreed to be interviewed, many of them chose phone conversations over videoconferencing due to their limited internet access. Interviews were sometimes disrupted by signal interference, forcing many reconnections. This was challenging in terms of maintaining the flow and comfort of the respondents while they communicated their ideas, opinions, and experiences. Some respondents were able to express their views and opinions in detail, while others took more probing. This remote approach, on the other hand, had its own advantages, such as enabling me to take notes and check the interview guide without disturbing the interviewees' concentration.

Another difficulty in arranging interviews was the 6- or 7-hour time difference between the UK and Indonesia. The interview was held at a time that was convenient for all participants. With the promise that I would organise the interview schedule to be convenient for the prospective respondent, it turned out that the majority of the interviews were conducted at less-than-ideal hours for me. Interviews were often conducted after midnight or early in the morning in the United Kingdom. However, the interviews lasted an hour on average, showing that the respondents felt comfortable enough to express their ideas during the interview, which is useful for this study.

4.4.3.6. Obtain respondents' consent

In order to preserve the ethics of this study, before beginning the interview, I always asked prospective respondents whether they voluntarily wished to participate in this research. The procedure of getting respondents' consent is covered in further detail in section 4.7.1, which is focused on research ethical considerations.

To outline the process briefly here, I created a consent form as well as an information sheet outlining the research topic, objectives, expectations, data storage and access, and respondent anonymity in order to get consent. I conveyed these topics verbally to each respondent in addition to giving them the written material, since most of them did not read it thoroughly and often requested me to explain again before the interview began. On those occasions, I also provided prospective respondents with the option of withdrawing their participation before the interview or after the interview for a period of two weeks.

4.4.3.7. Follow good interview procedures

As an interviewer, it was important that I fostered a conducive environment from the start to the completion of every interview. In this fashion, I was able to gain the respondents' confidence, allowing the interview to go smoothly and the respondent to freely voice his or her opinions.

The initial few minutes of the interview were critical for establishing rapport between myself and the respondent. Thus, I made every effort to be polite and pleasant. I began with a hello and enquired about the respondent's condition. I positioned myself

as their guest in order to give them the confidence and comfort of being in their own 'territory'.

After a few minutes of establishing a pleasant atmosphere, I proceeded to present my research topic and the objective of the study. At this point, I also informed each respondent that the interview was estimated to last around one hour. Following that, I requested permission to record the interview and confirmed the respondent's consent to participate in this study (see section 4.4.3.6 and discussed in more detail in section 4.7).

After getting consent from the respondent, I began the interview by asking for some contextual information such as their business or occupation, the size of the company, how long the business or work had been operating, and the respondent's thoughts on the sustainability of his or her business or job. I maintained a friendly and informal environment so that I could move on to get additional background information about age, education, and income.

I then progressively led the respondent through the key points, both those outlined in the interview guide and others that may have arisen as a result of continued conversations. I then further explored each theme to allow respondents to share their views and thoughts or recollect specific experiences. Throughout this process, I reminded myself that a good interviewer is a good listener rather than a frequent speaker.

Overall, I believe all the interviews went well and generated enough data. The average time of all interviews was one hour, which conforms to the first estimate. The shortest interview lasted around 40 minutes, while others lasted more than 1.5 hours.

Surprisingly, virtually all of the policymakers who participated spent more time being interviewed than we anticipated.

4.4.3.8. Decide transcription logistics

Transcribing is a time-consuming activity that follows the interview process. The transcribing procedure took around three times as long as the interview itself. With such a time commitment, I attempted to do it shortly after each interview.

This provided me an edge since, first and foremost, I was psychologically fulfilled because I had finished an interview in its entirety – from the interview itself to the production of transcribed data. Second, since the transcribing process occurred close to the interview, everything the respondent had just discussed was still fresh in my mind, allowing me to make notes regarding the outcomes of the interview and any issues that may need addressing. It also provided me inputs for the next interviews, such as how to enhance the interview guide (see section 4.4.3.4).

It should also be noted that the interviews were held in Indonesian. In this sense, I produced a ‘complete’ transcription in Indonesian. The term ‘complete’ refers to the fact that I transcribed all of the dialogue in each interview, including any vocal signals like ‘mmm’ as well as nonverbal signs like prolonged pauses. I then translated the parts of the text that would be quoted in the thesis as closely as possible to the respondent’s intended meaning.

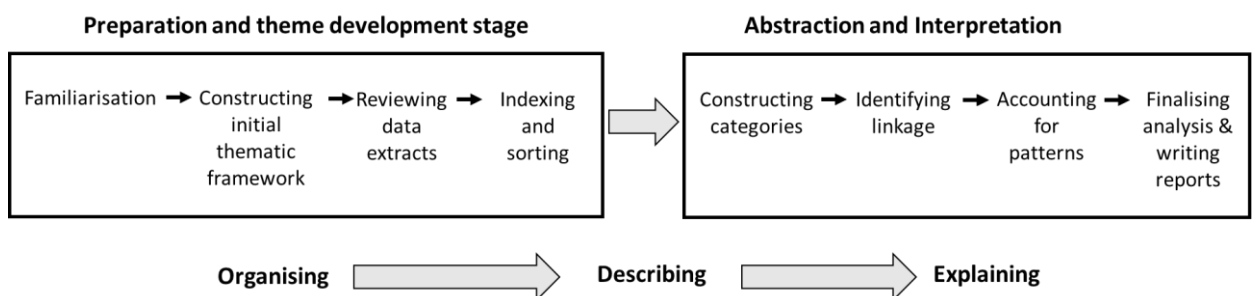
I transcribed the interviews myself, with no assistance. This transcription was done manually and transcribed into Microsoft Word before being entered as analysis material into the NVivo system. To assure the accuracy of the produced text, I

completed the transcription manually rather than using a voice-to-text conversion programme. This manual transcribing method also helped me familiarise myself with the data for the analytical process.

4.5. Data analysis procedures

I used thematic analysis by establishing codes and indexes throughout the data analysis process and attempted to explain the study findings based on emergent themes. However, to keep the data analysis procedures well organised, I adapted the formal steps of analysis procedures suggested by Spencer *et al.* (2014), as shown in Figure 4.2 below.

Figure 4.2 The analysis procedures



Source: Adapted from Spencer *et al.* (2014)

Nevertheless, I learned that I could not follow the processes proposed by Spencer *et al.* (2014) exactly consecutively in reality. For example, in the *preparation* stage, the phases mentioned in Figure 4.2 above, namely familiarisation, theme framework construction, and indexing, are often iterative and overlapping. Thus, I illustrate the analytical processes here by putting them into two stages: data preparation, and abstraction and interpretation. However, since the findings from the abstraction and

interpretation phases are observed more in the empirical chapters, namely Chapters 5, 6, and 7, this chapter predominantly describes the procedures at the preparation and theme development stage.

4.5.1. Preparation and theme development

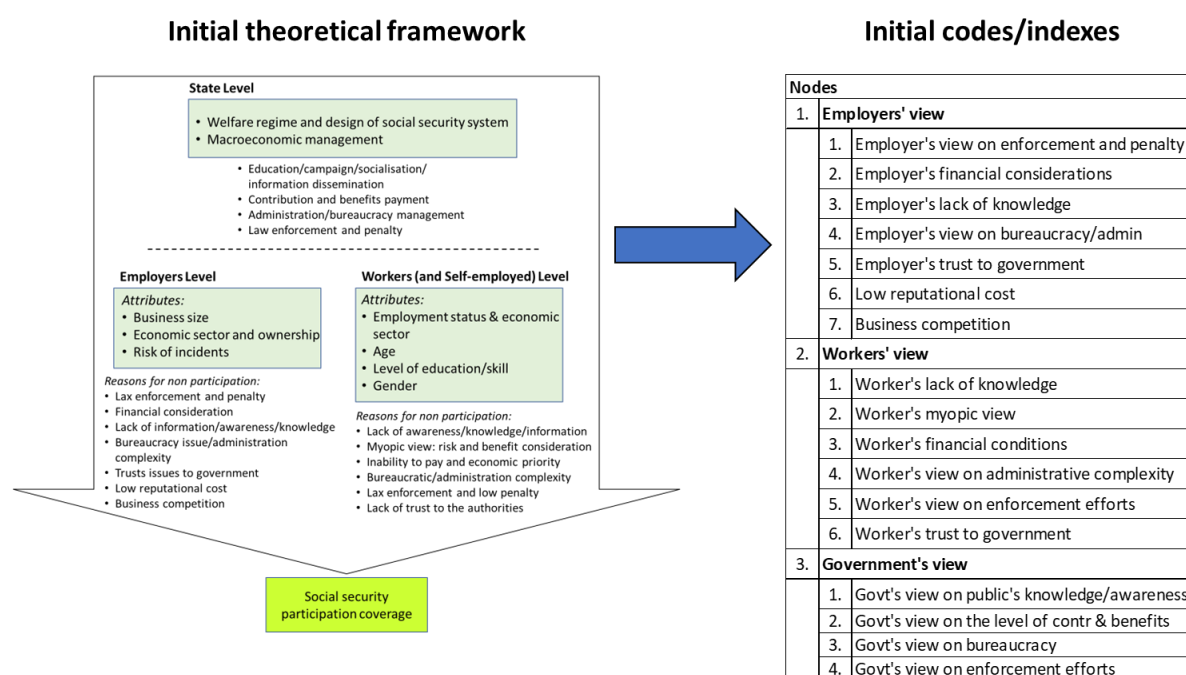
This stage comprises the procedure for preparing the transcript data for coding so that it may be used in the later data interpretation phase. The first step was to get familiar with the data. The depth of a researcher's knowledge of the data may be considered to influence the quality of study outcomes. As a result, before proceeding with data analysis, a researcher must first immerse themselves in their data, acquiring an overview of the substantive material and recognising themes and ideas of interest (Spencer *et al.*, 2014).

From the transcribing process onwards, I attempted to get familiar with the data. I personally transcribed the interviews, as described in section 4.4.3.8 above. This enabled me to get familiar with the data as soon as possible, allowing me to take notes on some essential issues from the interview, such as what concerns seemed to be dominating for a respondent. At this point I also began to identify the comments from each respondent that are related to the research questions and their connection to the initial themes in the theoretical framework.

Data familiarity was continuous, not just with individual cases or respondents but also throughout the interviews. Looking at interview data from different respondents, I started to notice differences or similarities, which helped form my notes for the data analysis process. This phase of familiarisation continued from the start of transcribing until the last step of the data preparation stage.

Spencer *et al.* (2014) recommends the creation of a theoretical framework following the data familiarisation phase, as shown in Figure 4.2. However, as indicated in Chapter 3 (see section 3.5.4), I developed an initial theoretical framework based on past research prior to beginning data collection. As a result, I performed a *theoretical thematic analysis* (Braun and Clarke, 2013), in which the development of themes was guided by a theoretical concept. I then prepared the NVivo project with the conceptual framework in mind by integrating the framework's primary topics as starting codes. A list of those initial codes is shown in Figure 4.3 below.

Figure 4.3 Initial coding based on the theoretical framework



After roughly 20 interviews, I began putting transcription files into the NVivo software. At that time, I had become quite familiar with the existing data and had a good understanding of what themes were there. Because I had already developed the initial themes, I applied the transcription data to them. I began indexing and sorting

the materials that were relevant to the main themes. Figures 4.4, 4.3, and 4.5 below demonstrate the results of the indexing process.

Figure 4.4 Coding tree: Employers' views

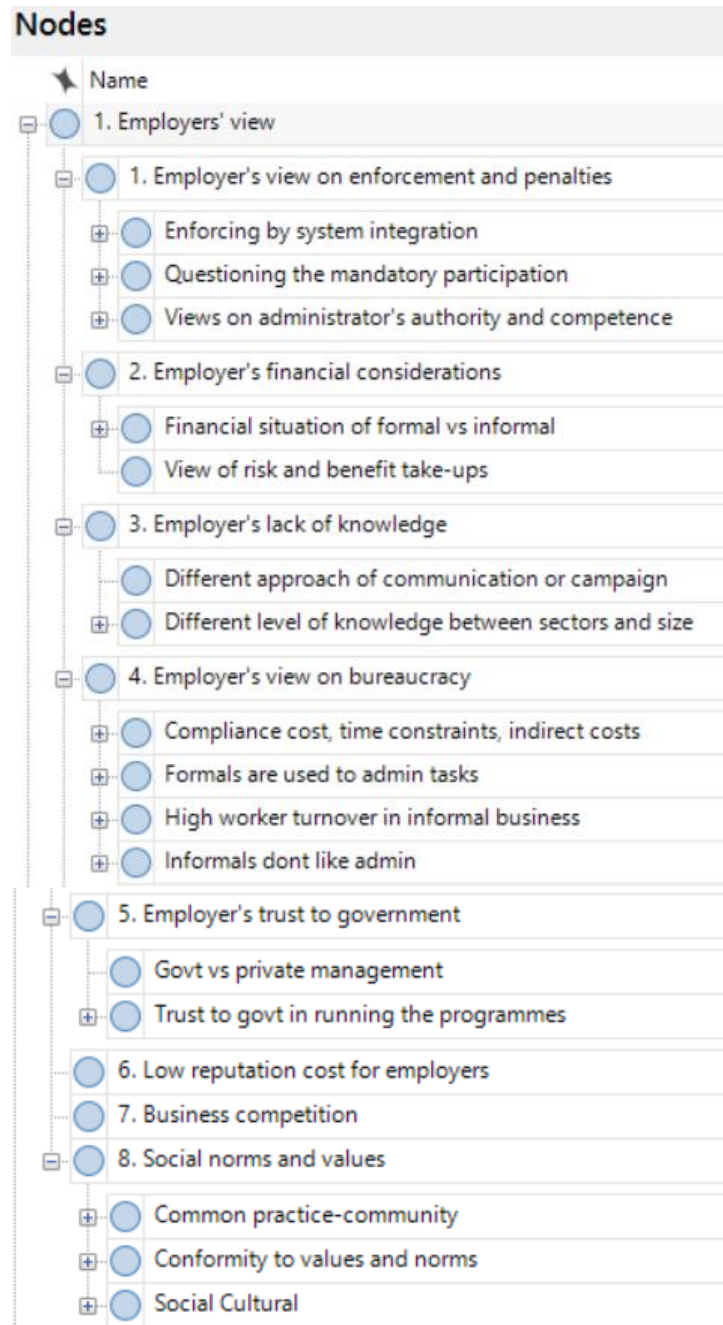


Figure 4.5 Coding tree: Workers' views

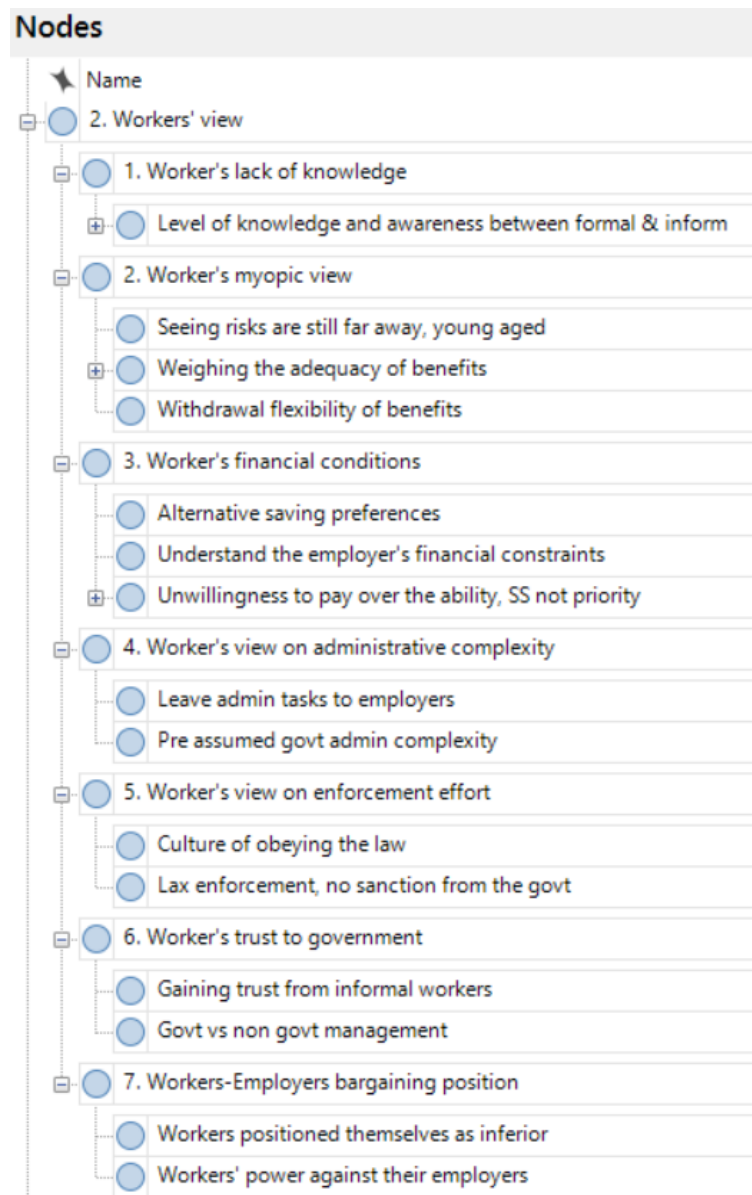
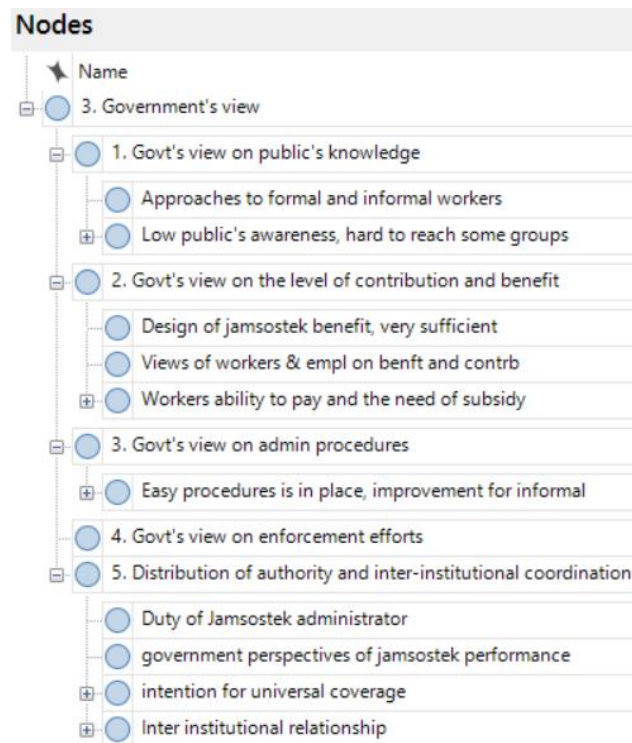


Figure 4.6 Coding tree: Government's views



As shown in the three figures above, the majority of the theoretical framework's topics did emerge as primary themes in the interview data. However, several new issues were also identified from one interview to the next that were not outlined in the preliminary theoretical framework. In the employers' perspective part, for example (see Figure 4.4), there is a new main theme, namely 'Social norms and values'. I opted to include this theme since social environmental factors like social norms were repeatedly mentioned in the interview data, particularly among informal employers. Similarly, in the workers' perspective part (see Figure 4.5), a new theme emerged, namely 'Workers-employers bargaining position'. This subject emerged often in the interviews with workers, both formal and informal. In the government's viewpoint section (see Figure 4.6), a new main theme emerged, namely the problem of authority assignment and inter-institutional coordination. From the standpoint of

government agency members, this subject stood out more than others. In addition, I discovered that this was often the underlying problem for other themes such as enforcement and social security contribution payments and level of benefits.

Furthermore, some elements of the initial framework do not present clearly in the interview data but tend to emerge with others. As a result, these themes were merged into other themes. For example, themes such as 'low reputational cost' and 'business competitiveness' did not appear saliently in the employers' perspective section (see Figure 4.4). Certain statements about 'reputational costs' refer to 'financial concerns' or 'social norms'. Similarly, numerous comments on 'business competitiveness' were more about the firms' financial conditions', which I subsequently integrated under the theme 'financial concerns'. The replies related to the subject of "enforcement" did not stand out, at least in the eyes of the employees. Instead, a number of comments were more closely related to other issues, such as "administrative complexity" and "trust in the authorities." Therefore, I integrated the 'enforcement' into these other themes.

4.5.2. Abstraction and interpretation

The phase after data preparation and theme creation is data abstraction and interpretation. As shown in Figure 4.2, this phase should begin with the process of establishing categories. However, in my experience, this categorisation step was carried out concurrently with the indexing procedure. This step examined the substantive substance of respondents' narratives in order to generate more detailed aspects under the main themes, notably the subthemes and elements listed below them.

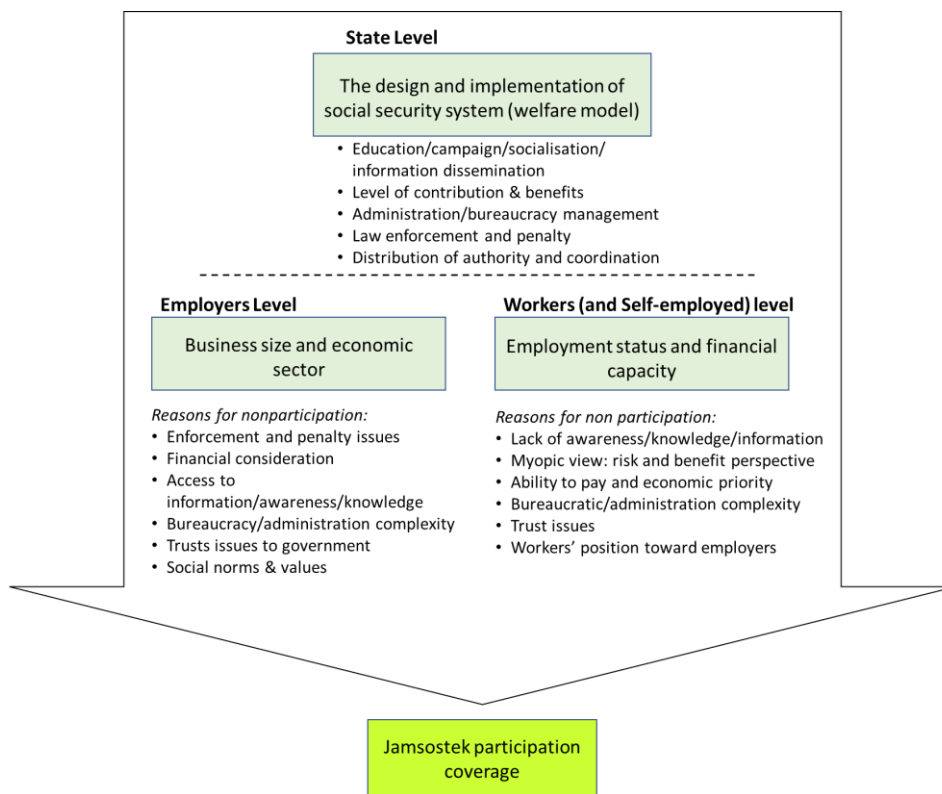
After the data had been categorised and displayed, the next step was to examine it more closely, rather than simply looking at the categories, themes, and subthemes that had been established. According to Spencer *et al.* (2014), some qualitative researchers have been able to conclude their analyses at the categorisation stage and create sufficiently detailed descriptive reports. On the other hand, Spencer *et al.* (2014) recommend that qualitative researchers strive to examine the data further, such as searching for links between phenomena or between groups of respondents.

In the course of seeking connections, I discovered some links between themes as well as links between groups of respondents. For example, in the employers' viewpoint section, I discovered that one of the main themes, 'employers' perspective on enforcement and penalties', might impact employers' opinions on other topics. Employers, for example, regard a weakness in government enforcement as a chance not to participate in *Jamsostek* for reasons such as 'financial concerns' and 'low reputational cost'. Other themes, such as 'lack of knowledge', were linked to others, like 'enforcement' and 'bureaucracy'.

I also discovered a rather strong linkage between respondents' groupings. There were clear disparities in perspectives between people in formal and informal employment. I found that employers with different firm sizes and economic sectors had varying circumstances and perspectives on *Jamsostek* participation. The same may be said for the workers' group. Workers with a formal job status saw things differently to individuals who work informally. Furthermore, the government had different perspectives and actions toward firms and employees in the formal and informal sectors.

I revised the original theoretical framework described in section 3.5.4 (Figure 3.3) into a new theoretical framework that would explain *Jamsostek* participation, as shown in Figure 4.7 below, by adding the findings of the theme development process and data abstraction as detailed above.

Figure 4.7 Framework for explaining *Jamsostek* participation



Source: Author's analysis

The next step was to write out the outcomes of the data analysis. The findings of the data analysis are given in the empirical chapters that follow. There are three empirical chapters to make it easy for readers to see the results of this study by referring to the research questions as well as the framework above. Each chapter offers the findings of the study for each set of respondents, namely employers, workers, and government officials, with sections that roughly match the framework's

outline (Figure 4.7). As previously stated, the empirical chapters clearly demonstrate the disparities in situations and attitudes between respondents with formal and informal working relations.

4.6. Reflections on my positionalities in the object of study

As can be observed throughout this chapter, this research takes a qualitative approach. Many scholars suggest that in qualitative research, if a researcher has or had another position associated with the object of study, that position should be acknowledged in order to preserve the credibility of his or her research (Dwyer and Buckle, 2009; Unluer, 2012; Blythe *et al.*, 2013). This is due to the fact that in qualitative research, researchers are often part of a data collection and analysis instrument, and their position and experiences have an impact on the final results of their study (Blythe *et al.*, 2013). To that end, I explain my position in this section.

I worked for the Indonesian employment social security administrator (BPJS Ketenagakerjaan) for over eleven years before beginning this project (2007–2018). During my time there, I saw changes in social security policy both before and after the 2014 reform. I saw how BPJS Ketenagakerjaan struggled to fulfil its constitutional mandate, which is to reach out to all Indonesian workers and get them to join *Jamsostek*.

With my background and understanding of the subject matter, I consider myself an ‘insider’ researcher from the perspective of a social security administrator. My position is almost similar to that articulated by Blythe *et al.* (2013), who assert that insider researchers share comparable experiences or qualities with their subjects.

According to some researchers (Dwyer and Buckle, 2009; Adler and Adler, 1987; Unluer, 2012), an insider is a researcher who is a member of the study's population. With this description, however, my status as an insider becomes obvious only when it is connected with the group of respondents from government agencies (policymakers).

During this research process, my position offered various benefits. It is natural that getting policymakers' time via formal channels, such as mailing formal letters for interview requests, is difficult in general. However, in my former employment, I had the opportunity to meet with a number of policymakers and their secretaries. So, although I could not really contact them directly, I could contact their assistants to follow up on my request and set up an interview.

Indeed, owing to their schedule and objectives, attracting policymakers remained difficult. Only a small number of possible candidates replied to my interview invitation. However, what Dwyer and Buckle (2009) state resonated with my case in that after I gained their participation, all of them were more open in sharing their perspectives and points of view. According to Dwyer and Buckle (2009), insider researchers often create quicker rapport and acceptability with their respondents. In this instance, respondents are frequently more comfortable speaking freely, resulting in more comprehensive and in-depth data.

However, my position differs somewhat from that of the other two categories of respondents, namely employers and workers. In this respect, I do not belong to either group. So, according to the definition above, I am not a member of either of the two

groups. However, since I work in the sphere of employment, which includes both employers and employees, I may also be regarded an insider.

However, one of the obstacles that I foresaw when working with these two groups was that employers and employees might refuse to engage or participate at all and would not provide open answers due to my history as a social security administrator. I addressed this by stating at the start of each interview that my present role is as a researcher and that I am not actively working with BPJS Ketenagakerjaan. I guaranteed the impartiality and confidentiality of each respondent's data. As a result, any respondent who agreed to continue the interview was expected to speak openly.

I was aware that my insider status might have potential disadvantages in terms of data collection and analysis. With my background, I already had an opinion about the issues that governments, employers, and workers might confront. Dwyer and Buckle (2009) caution that in this situation, there is a considerable chance that while conducting interviews, researchers would get preoccupied with their own ideas and personal experiences rather than concentrating on the responses of the respondents. Furthermore, Dwyer and Buckle (2009) add that since the researcher may concentrate on factors that he or she has previously made assumptions about, this might have an impact on the data analysis process.

I acknowledge that my position influenced my decision to divide the respondents into formal-informal and business-size categories, as presented in Table 4.1 above. The grouping of employers and employees by government agencies such as BPJS Ketenagakerjaan, The National Committee for Social Security (DJSN), and the Ministry of Employment may account for this. In monitoring the performance of the

employment social security coverage level, these institutions always divide workers into at least two main groups, formal and informal workers, in official documents such as regulations and periodic reports. Hence, this research seems to discount other characteristics, such as age, gender, and social class, as it focuses primarily on these classifications. However, as explained in the study limitations section 8.2.2, the focus of this thesis is on the motivations for (non)participation rather than the influence of intersectionality on *Jamsostek* participation. So that the issue of the influence of factors such as gender, age, and religion can be the subject of future research.

To address several challenges, such as assuming understanding and assuring analytic impartiality, I followed the measures advised by Blythe *et al.* (2013), which included respondent probing, self-reflexivity, and reviewing interview notes with other researchers. I attempted to remain objective in interviews and always encouraged respondents to respond openly by asking probing questions to overcome any assumed knowledge. To ensure neutrality in the analysis, I announced my status as an insider researcher in this thesis. Throughout the data collection and analysis process, I always took personal notes or wrote down my ideas. I then organised my notes and reviewed them with my supervisors. I constantly shared my work with supervisors so that I could always keep thinking critically while also being warned about the possibility of bias in the data analysis.

4.7. Research ethical considerations

It is widely expected in social research that every researcher knows and anticipates the ethical implications of the study he or she is doing (Robson and McCartan, 2016;

Thomas 2013; Bryman, 2016). These ethical issues are particularly relevant in research involving human subjects since there are potential risks such as psychological effects or effects on personal interests for both the respondents and the researcher. Ethical considerations in this respect concentrate around concerns such as how to handle research participants and what the researcher should or should not do (Bryman, 2016).

Hence, a social research study must adhere to a code of conduct in order to prevent unwanted outcomes (Robson and McCartan, 2016). In this sense, this study adheres to the University of Birmingham Code of Practice for Research, which states that research does not begin unless the necessary ethical reviews and clearances are in place. In this context, the Humanities and Social Sciences Ethical Review Committee at the University of Birmingham granted ethical approval for this project in January 2020 (see Appendix 8). Furthermore, due to the inclusion of a new set of respondents, namely policymakers, there was an amendment to the ethical application, which was approved in November 2020 (see Appendix 9).

This study has considered and addressed key ethical considerations as required in the ethics application, including participant consent, withdrawal and feedback, confidentiality/anonymity, data management, and the risks and benefits of the research.

4.7.1. Obtaining informed consent

The issue of gaining informed consent often arises, and it is arguable whether it is required for every research (Bryman, 2016). However, this study adheres to the

University of Birmingham Code of Practice for Research, which states that the respondents' consent is required.

Accordingly, a consent form and information sheets were developed prior to the data collection process (see Appendix 10). The information sheets clarify the research's goal, expectations and data storage and access and ensure respondent anonymity. All study-related material was provided in both English and Indonesian. Potential respondents were given the opportunity to read the contents of the forms and decide whether or not to proceed to the real interview. Before data collection could begin, both the researcher and the respondent would have to agree to the terms outlined in the consent certificate form. This informed consent would underlie the ethical collection and analysis of data, including participant privacy.

Despite having received the information sheet, almost all of the respondents admitted that they had not read the complete contents and sought a clear verbal explanation from me before giving their consent and proceeding to the interview. So, in the end, I explained orally to all respondents about this study and the processes that would be followed.

This oral explanation procedure proved to be a good chance for potential respondents to ask questions and express concerns. This approach also allowed potential respondents to withdraw before or after the interview, with a time limit of two weeks following the interview.

In the process of gaining consent, I had two potential respondents from the employer group withdraw their intention to participate in this research just before the interview began. They indicated an interest in participating in the study and then wanted to ask

further questions about it. Following up on their indicated willingness, I gave them an information sheet as well as a consent declaration form and then contacted them. After learning that this survey intended to explore their viewpoints on social security participation, these two prospective participants said separately that they did not register themselves or their workers with *Jamsostek* (Indonesian employment social security) and hence did not want to be further engaged in this research. In these instances, I did not persist and did not pursue them further. Instead, I deleted all the information I had about them, including their contact numbers.

In terms of gaining informal workers' consent, almost all informal workers were initially apprehensive at the start of the explanation since they didn't know much about *Jamsostek* and were not enrolled in the system. Interestingly, they were more hesitant since they were concerned that they would not bring much value to the research due to their lack of familiarity with the system. This condition was addressed by explaining that their participation would be very important to this research.

Policymakers expressed a different concern. They were eager to participate in the research and offer natural replies based on their perspectives and experiences, but they said that they would most likely ask for some of their information to be 'off the record' during the interview. In the actual interview, 'off the record' remarks are those that include the names of specific people as well as those that reveal the internal conditions of the respondent's institution. In this respect, I promised that the 'off the record' remarks would not be cited in my thesis.

Because I conducted the long-distance interviews by video and audio call, I asked each respondent on record to declare their willingness to participate and give their

consent before proceeding with the interview. After verbally agreeing to participate, they signed the consent form and returned it to me after the interview.

4.7.2. Confidentiality/anonymity and data management

The preservation of data and study participants' confidentiality is covered in numerous codes of ethics established by several research organisations, including the British Sociological Association (BSA) and the Social Research Association (SRA). Similarly, the Humanities and Social Sciences Ethical Review Committee at the University of Birmingham encourages researchers under its umbrella to be mindful of confidentiality concerns.

Anonymity for study participants is one way of maintaining confidentiality. Before I began each interview, I promised respondents I would keep their data confidential, including personal and interview data. The privacy of respondents was safeguarded by using pseudonyms for each of them in transcripts, file names, and all reports. I only reveal the size of the firm and the economic sector for employer respondents (formal or informal). For worker respondents, I only provide information about their employment status (formal/informal/self-employed). Meanwhile, I do not disclose any information about the institutional affiliations of policymaker respondents, so that all policymaker respondents are labelled as 'government officials'.

As described in section 4.4.2, in the respondent recruitment process, I used 'gatekeepers' in addition to issuing invitations for study participation via multiple media channels (e.g. mailing lists, chat groups, etc.). Indeed, in this study, gatekeepers for employer and worker groups 'only' played a role in passing invitations to participate in the research to their respective groups and were not

intended to play a role in selecting respondents. However, it is possible that the respondents could contact the gatekeepers directly to confirm their willingness and that the gatekeepers would learn who in their group participated in this research. However, I do not provide any information in my report that may connect each comment to the identity of the respondent, which even gatekeepers would find difficult to identify. Furthermore, identifying respondents would be difficult due to the vast range of companies and workers that may be respondents in this study.

However, this differs somewhat from the small number of policymakers. I interviewed seven individuals from around 31 positions in government agencies which are relevant to and were targeted as respondents in this study. Formally, I submitted an interview request letter to the secretary of the relevant institution where many possible respondents serve. As a result, it is probable that some of them were aware that others of them were involved in this research. However, I have attempted to protect the respondents' privacy by excluding particular information such as their job title and institution.

Along with anonymity, confidentiality was maintained by data management practices such as data access and storage. Because the dataset may include data from non-compliant employers and workers, confidentiality and data access are critical issues. During the interview, I discovered that some people have *Jamsostek* accounts while others do not. Some parties, such as the social security administrator, may be interested in the participant data. I am aware, however, that I am responsible for protecting the privacy and confidentiality of all study participants and their data. In this situation, all data has been utilised and reported only for research purposes and

will not be given to other parties. All the personal data of respondents has been kept private and is not shown in the report of the findings.

The raw data from interviews, in the form of audio recordings and transcripts, is stored on my personal computer, an external memory drive, and on a secure system administered by the University of Birmingham, each with its own code. All electronic data kept on my personal laptop devices is securely encrypted by a password known only to me. Meanwhile, the data stored in the university's secure system is accessible only to myself and my supervisors.

4.7.3. Considering the risks and benefits of the research

As part of the process of obtaining research ethics approval from the ethics committee, I assessed potential hazards and weighed them against the benefits of doing this study. The hazards evaluated are those that concern both me as a researcher and the respondents.

Initially, data was to be collected in Indonesia beginning in March 2020. As a result, long-distance travel was required, which brought potential for risks along the route. However, because of the COVID-19 pandemic and other restrictions, it was decided that I would gather data online. This removed two risks at once: the risk of travel and the possibility of transmission of COVID-19 to either myself or the respondents.

The risks associated with the respondents come next. As indicated in section 4.8.2, there is a possibility that the identity of respondents will be discovered by certain persons. However, as discussed in the preceding subsection, this concern is mitigated by maintaining confidentiality and anonymity.

All risks have been addressed in general. Furthermore, this study is not high risk since it does not entail numerous major ethical issues, such as involving vulnerable populations, sensitive subjects, secret information, respondents' emotional distress, or physical coercion (Gray, 2014). This study is also low risk since it has no detrimental influence on the environment, society, or the university's reputation.

After considering the potential hazards, it is important to consider the advantages of doing this study. Given the scarcity of research on Indonesian social security, this study adds to the body of knowledge, especially in the domain of Indonesian employment social security. Furthermore, it is intended that this study would offer academic research to government agencies interested in expanding social security participation in Indonesia. Although the Indonesian government implemented a social security reform in 2014 and aimed to include all workers in the system, there is still an issue of a coverage gap, notably in employment social security programmes. This project's outcome may therefore attract the interest of academics, practitioners, and the government.

4.8. Summary

The purpose of this research is to get a better understanding of why the participation in Indonesian employment social security (*Jamsostek*) is still far from the universal coverage envisioned by the Indonesian constitution. To attain these objectives and answer the research questions, I used a qualitative approach, which is detailed in this chapter, covering data collection processes, analysis, and attempts to adhere to ethical research principles.

The data was collected during the start of the COVID-19 pandemic, and restrictions were in place both in the UK and in Indonesia, the context for this study. This circumstance had an impact on the data collection process, from the recruitment of respondents through to the data collection itself. Originally, semi-structured face-to-face interviews were planned for data collection; however, owing to pandemic circumstances, remote interviews were conducted via phone call or videoconference.

This chapter described in detail the method and challenges of remote data collection. For example, it took longer to recruit respondents from particular categories, such as informal workers, self-employed individuals, and large-scale companies. This was because finding respondents willing to engage in research without a personal approach was more challenging. Long-distance interviews presented various hurdles, including the time difference between the UK and Indonesia, as well as internet connectivity issues.

In this study, thematic analysis was used in the data analysis process. This study creates a theoretical framework based on past research in this area. The theoretical framework identified the themes, which were then utilised as references to create the semi-structured interview guide and to develop themes in the data analysis process.

Based on the framework, I had a good idea of the initial themes that would then be investigated further throughout the analytical phase. The analysis process also revealed several new themes that emerged outside of the previous framework; therefore, the initial theoretical framework was amended based on empirical data to explain why many firms and workers in Indonesia are still not registered in the *Jamsostek* system.

In this chapter, I also discussed my positionality, which includes not just my role as a researcher but also other roles relating to the subject of study. To put it another way, I am an 'insider researcher'. This insider position offers both benefits and drawbacks. The benefit of being an insider is that I have contacts with different groups of policymakers, have a better understanding of current challenges, and know how to get particular information. However, in order to provide impartial study findings, I had to continually maintain neutrality and critical thinking. In this situation, I feel I handled the problem well.

In summary, this chapter has outlined all of the research procedures that I conducted, as well as the challenges that I encountered and how I dealt with them. This chapter contains a great deal of self-reflection from my research journey.

CHAPTER 5. EMPLOYERS' VIEWS ON INDONESIAN EMPLOYMENT SOCIAL SECURITY (*JAMSOSTEK*)

5.1. Introduction

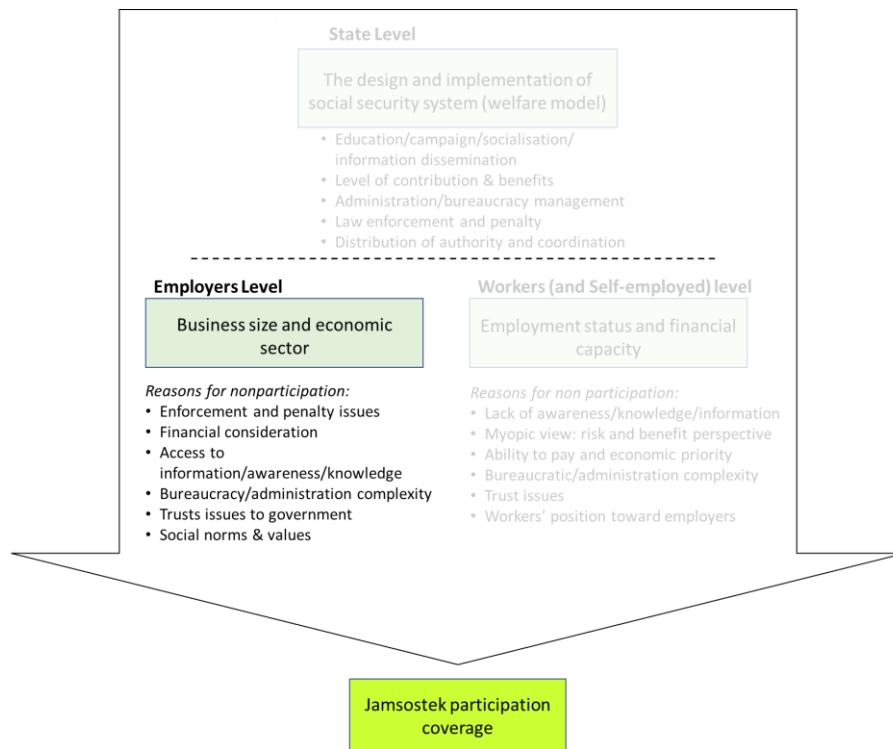
A contributory social security scheme inevitably affects employers, specifically regarding the firm's portion of the contribution payment and the administrative tasks it entails. Moreover, as implied throughout the thesis, employers play an essential role in registering employees in Indonesian employment social security. Hence, their perspectives towards social security might play a decisive role in whether they choose to participate in the programme.

Thus, this chapter aims to explore employers' views on *Jamsostek* programmes. It tries to answer the first research question of the thesis, which asks how employers perceive and respond to the implementation of *Jamsostek*. It also analyses why these employers decided to enrol or not enrol employees on social security programmes.

The analysis employs an organising framework developed based on prior studies that have tried to understand employers' and workers' perceptions toward social security implementation (see Chapter 3 for more detail) and also based on the data analysis (see Chapter 4, Figure 4.7). As depicted in the framework diagram (see Figure 5.1 below), the business capacities of employers, including their economic sectors, may shape their perceptions of *Jamsostek* implementation, which eventually influence their decision to participate in the programmes. Different employers' capacities might produce distinct thoughts and experiences in some aspects, such as

information and knowledge, financial and administrative considerations, enforcement, risk and benefit, trust, and social norms. Thus, the discussion in this chapter is structured following those aspects.

Figure 5.1 Theoretical framework: Employers' level



The analysis indicates that employers across economic sectors and sizes might share different thoughts and experiences. Almost all formal employer respondents were registered in the *Jamsostek* programmes. Meanwhile, all informal businesses had not registered their employees into the programmes. To some extent, the following sections in this chapter exhibit that the decision about registration was a product of their views and experiences on *Jamsostek* programmes. Hence, the following sections describe how employers from these different economic sectors have different ideas.

5.2. Enforcement and penalties

The Indonesian constitution mandates that state administrators develop and provide social security to all citizens. This also applies to social protection for workers, whereby the state must provide all workers with employment social security (*Jamsostek*). However, as we saw in Chapter 2, not all workers are covered by the programmes.

Considering the constitution, it would be fair to question how the government is attempting to fulfil the mandate, with one of the methods being enforcement of *Jamsostek* participation. Hence, this section discusses employers' views of the government's and administrators' enforcement efforts.

5.2.1. Employers expressed questions about compulsory participation in Jamsostek and the administrator's competence in law enforcement

One of the primary reasons employers register their businesses and workers in the *Jamsostek* system is because it is a statutory requirement. This is particularly noticeable among formal employers, the majority of whom said they believe that social security participation is compulsory. Large-firm employers indicated that they are very compliant with the law:

“It's mandatory by law! It is a criminal act if we don't register our employees into social security programmes, both *Jamsostek* and healthcare social security. We register all our employees into full four programmes [of *Jamsostek*].” (Fajar, large/formal employer)

The mandatory participation was mentioned as the first reason for many employers to register their workers in the *Jamsostek* programmes. They saw that they had no choice but to participate in *Jamsostek*:

“The main reason is, honestly, because it’s just mandatory. We probably wouldn’t register our employees into it if it’s not mandatory for us to do so.” (Ilham, SME/formal employer)

Most formal companies that participated in this research acknowledged that *Jamsostek* registration is mandatory. However, many of these compliant employers also noted that they questioned the requirement to participate in *Jamsostek* because they observed that many companies did not comply, either by failing to register all of their employees or by failing to register their companies in the *Jamsostek* system at all:

“Is it actually mandatory? As far as I know, it’s mandatory according to the law. Every company should participate. But, some time ago, I heard from another firm that they had not registered yet. I’ve never heard if there’s any in-compliant company being punished. Never [...] We, as a registered company, feel that it’s not fair.” (Nia, SME/formal employer)

More disappointments came from larger employers. As mentioned earlier, large companies are usually compliant with their social security obligation. Some large-scale employers expressed their disappointment with BPJS Ketenagakerjaan about law enforcement. One of them was Fajar, whose company had been so compliant. Nevertheless, he questioned the seriousness of BPJS Ketenagakerjaan in taking legal action against non-compliant companies. He even assumed that the agency was so complacent with their financial condition that they did not follow up on the activities that violated the social security law:

“Honestly, I don’t know how real the enforcement effort is. I even doubt that they have an enforcement team and have done detailed checking on the companies’ payroll reports. I think they are complacent with their current condition. BPJS Ketenagakerjaan is in financial surplus, even when they know that there are still many non-compliant companies. This is not fair for compliant companies like us. Honestly, I have not seen any enforcement effort or legal action against non-compliant companies.”

(Fajar, large/formal employer)

Another large employer, Bayu, shared similar thoughts. He questioned the commitment of BPJS Ketenagakerjaan to enforce *Jamsostek* participation. He mentioned a case where BPJS Ketenagakerjaan did not make reasonable enforcement efforts in relation to a large company that had not registered its employees into the social security programme. He argued that it would ruin the credibility of the agency.

In addition, Bayu expressed his criticism of the enforcement strategy used by BPJS Ketenagakerjaan, which led him to doubt the authority of BPJS Ketenagakerjaan to carry out law enforcement. Bayu observed that BPJS Ketenagakerjaan was cooperating with the prosecutors’ office by bringing the prosecutors to their campaign or socialisation events. He questioned if BPJS Ketenagakerjaan had law enforcement power, necessitating the presence of prosecutors. Furthermore, he felt that the approach was misguided because they brought the prosecutors to compliant companies like his. He was even more irritated since the strategy was intimidating for him while BPJS Ketenagakerjaan was not sufficiently enforcing the rules with non-compliant companies:

“I’ve heard that there’s a big textile company in *Solo* which doesn’t register their employees into the *Jamsostek* programme. That’s what I don’t understand: how they got away from the law. Do they have any connection to the higher political positions, military, police, or even to the President? Why doesn’t BPJS Ketenagakerjaan do something about it? Why do they intimidate compliant companies like us by bringing up prosecutors while they don’t do anything to non-compliant companies like the textile company? It is unfair.” (Bayu, large/formal employer)

Those respondents saw that there were issues in law enforcement efforts. They questioned why there were still many unregistered firms. Compliant formal employers expressed disappointment in the government’s or the administrators’ seriousness in taking firm action against non-compliant enterprises.

However, there were also questions asked by the employers about whether the government has sufficient authority to enforce compliance. Who has the authority to carry out enforcement actions? Does BPJS Ketenagakerjaan have the authority for that? If they do have it, why have they not carried out any legal actions against non-compliant companies? These remaining questions are discussed further in Chapter 7 from the perspective of the members of government agencies.

In contrast, from the standpoint of informal employers, the situations were vastly different. Informal employers did not dispute the capacity of administrators in terms of law enforcement. They did not even recognise that they are required to register their employees with *Jamsostek*. They never deemed it mandatory to enrol their workers in *Jamsostek* programmes due to the absence of penalties for non-participation:

“As far as I know, there are very few of us registered in it. Not many. There is no sanction for an informal business like us, so we are not

worried. [...] If it's mandatory, I will join *BPJS Ketenagakerjaan*. But, as long as it's not mandatory, I will not join the programme." (Tika, informal employer)

With the assumption that informal workers are not required to register in the *Jamsostek* system, participation was assumed to be voluntary. According to the majority of respondents, it would be almost impossible for informal employers and employees to voluntarily register for the programmes under this circumstance. Without a binding obligation, they have various reasons not to participate. These other reasons are covered in the upcoming sections.

5.2.2. *Why not enforce by system integration?*

The discussion above implies that there is an issue regarding enforcing businesses to participate in *Jamsostek*. There are still challenges in applying enforcement efforts toward formal businesses, let alone informal businesses. In this regard, some respondents questioned why, if *Jamsostek* participation is mandatory and essential for all workers, the government does not integrate *Jamsostek* with other public service systems so that employers and workers are prompted to register with *Jamsostek* when they access certain public services.

Continuing the discussion mentioned above, Bayu argued that there is another way to ensure that all workers and companies are registered to *Jamsostek* without coercion approaches like prosecution. The government is expected to think of a better approach, such as building an integrated system:

"The government should think about an integrated system. I mean, everyone should get a kind of identity number since she was born. It is a

reference to all kinds of registration throughout her life. For example, when she got older and started to work, the employer should refer to this number to report and pay her social security contribution. It should be integrated into other public systems like taxation and other public services. With this integrated system, anyone who wants to open their business must be registered to all mandatory requirements like *Jamsostek*.” (Bayu, large/formal employer)

Although the system has not been integrated as comprehensively as Bayu described, some respondents mentioned that the government has started this by requiring *Jamsostek* participation for some permit applications and public services:

“We are a foreign-investment company which had just opened our Indonesian-based company. We follow all applicable regulations in Indonesia. Upon applying for a business permit through OSS (Online Single Submission), it sent a notification if we had not yet input our social security registration document.” (Nia, SME/formal employer)

However, Nia doubted that there would be real consequences for the business permit if she ignored the notification of *Jamsostek* participation on the system, as she could proceed with her business permit application without entering the *Jamsostek* registration certificate:

“I supposed that it would only be random checking. They wouldn’t scrutinise this kind of thing. I was just cautious. But I’m questioning whether it’s mandatory because some firms simply ignore it.” (Nia, SME/formal employer)

On the basis of the discussions in this section, it may be inferred that the government’s enforcement competence seems to be an important factor that influences the rate of *Jamsostek* participation. In addition to the question of the

government's commitment to law enforcement and penalties, there was also the question of why the government had not integrated their public services systems to provide employers with more opportunities to register their businesses and employees in the *Jamsostek* system. Nonetheless, even if the government made these efforts, employers may believe there is no substantial consequence for them if they do not participate in *Jamsostek* if the government does not consistently and properly supervise enforcement operations.

For employers, both formal and informal, the absence of law enforcement and sanctions would open a wide possibility of various reasons for not registering, such as financial considerations and administration and trust issues, as discussed in the following sections.

5.3. Financial considerations

As we will see in section 5.4, there is a difference in knowledge between formal and informal employers regarding the amount of *Jamsostek* contributions. Most formal-employer respondents showed that they were knowledgeable about *Jamsostek*, including the contribution payment. Meanwhile, some informal employers did not know the contribution amount before participating in this research. Ignorance seems to impact these informal employers' decisions not to participate in *Jamsostek* on the grounds of financial limitations. Since informal employers did not know the exact amount of the contribution, they assumed it would be rather costly. Consequently, they would not pay for it.

For formal employers, because they understood the amount of *Jamsostek* contributions, they had no excuse not to participate due to a lack of understanding about the contribution payments. However, respondents believed that financial considerations exist because they perceive law enforcement weaknesses (see section 5.2). Weak enforcement gave businesses the convenience to assess their financial situation against the incentives of not participating in *Jamsostek*. Budgeting, cash flow, cost structure, and company models might be examples of the financial measures.

Thus, this section discusses the different financial concerns and considerations of formal and informal employers.

5.3.1. Financial management considerations of formal employers

Most formal employers who participated in this research said they were compliant companies. They consistently paid the social security contribution on time and with the right amount. Some said they did not mind paying for it since it is a regular business practice and was included in their budget plan. They admitted that it was also because of their good business condition and healthy cash flow. Some large companies even mentioned that although the social security contribution costs a considerable amount, it is not something that burdens their business. This was partly because of their business model and the nature of their cost structure. Bayu, a large employer, explained:

“It depends on the nature of the business and its condition. For my company, we are enjoying a good business that generates a healthy cash flow. Moreover, our business model does not make social security

contribution a significant cost to our financial structure. We have a simple cost structure that mostly includes rents and payroll, so we enjoy a considerably good margin. It would be totally different compared to other industries, for example, the transportation business. They have a more complex cost structure and small margin that makes cash flow management tight. It would be tighter for smaller firms in that kind of industry.” (Bayu, large/formal employer)

Another large employer, Fajar, said that even though his company employed tens of thousands of employees, he never complained about paying the social security contribution. Later, he explained that his company has a unique business model that allows it to shift the burden of social security contribution to its customers:

“Well, actually, our business model is just in and outflow of money. We only supply labour to our customers. Hence, we charge all of the expenses to our customers, including the social security contribution. We get the money from them and then pay the contribution to BPJS Ketenagakerjaan. We include all of the normative expenses in every one of our business proposals, and of course, in the business agreements.”
(Fajar, large/formal employer)

Aside from the company’s financial structure, another large employer, Wulandari, said that her company never minded paying because the contribution rate is fair for them considering the potential benefit that might be obtained for the employees:

“I think the contribution rate is fair enough. It’s a win-win solution. With that rate of contribution, they offer a profound benefit. For example, they don’t put a limit on accident treatment costs, while commercial insurance would have put a limit. They cover the treatment cost until someone who had an accident is ready to work again.’ (Wulandari, large/formal employer)

Some employers, like Wulandari, saw that registering their employees into *Jamsostek* and paying for the contribution is better for their businesses than dealing with uncertain social risks in the future. These business risk considerations are discussed further in section 5.8.

Similar to those large enterprises, some SMEs also mentioned that they do not object to the contribution rate. One SME added that paying the social security contribution is a logical consequence of hiring people in their business:

“For a company, the social security contribution is a significant cost. We bear a bigger portion than the employees, especially for the old-age benefit and pension benefit. A good company must have included it in their budgeting plan, so it should not be a problem. If you don’t want to pay for social security, don’t hire people. It’s logical.” (Ilham, SME/formal employer)

However, Ilham shared his experience when working for other privately owned SMEs, which were non-compliant with their social security obligation. They manipulated the company report to only pay a portion of the amount they were supposed to pay while still having it deducted from the employees’ pay. The owners sacrificed their employees’ rights for the sake of profit maximisation:

“Well, I think that’s the way business owners think. They always find opportunities for maximising their investment return and making profits. One of the ways is by managing or, we can say, manipulating the payment of this social security contribution. They can use the money to fund other profitable investments.” (Ilham, SME/formal employer)

Ilham added that many companies practise that manipulation. Hence, for some companies, it was not just about their financial condition but more about loose

enforcement that makes them see the opportunity to do such a thing. These enforcement issues were discussed earlier in section 5.2.

Similarly, Bayu, another large employer, also mentioned firms' ignorance as a possible reason for being non-compliant to social security obligations. However, Bayu added that sometimes a poor financial condition might also come into play. Companies who are in a weak financial situation might suspend their contribution payment:

“In my opinion, there are at least two possibilities why some companies do not comply with the social security regulations. One is simply because of their ignorance, and another reason is their budgeting issues. Maybe, there are times when they have a difficult cash flow situation. For instance, in this pandemic condition, when some of the stores are closing. In this condition, it's hard enough to pay for the salary, not to mention paying for the social security contribution.” (Bayu, large/formal employer)

Those perspectives above came from respondents who mostly stated that they have registered their employees into the programmes and consistently paid the contribution. However, Kusno, an SME employer, revealed that he had not registered his employees because he did not have enough knowledge about the contribution rate. He showed his interest when knowing more about the programmes and contributions. However, he needed some time to calculate it in terms of his business budgeting:

“You know what? I need to think about it for a while. Because there is a bigger portion charged to the company. Also, I need to check it with my employees since their salaries will be deducted. Actually, it's good for the

employees, but we need to calculate our cash flow if we add this additional cost.” (Kusno, SME/formal employer)

He went on to say that it is not all about his firm’s money but more about his employees’ acceptance because it would reduce their take-home pay. Hence, something like *Jamsostek* participation that reduces the employees’ money should be agreed upon between them. Even if this matter was agreed upon, he expressed further concern about how the registration process would be complicated and take time. The administrative process issues are discussed further in section 5.5.

5.3.2. *Informal employers’ views on paying Jamsostek contribution*

Unlike the formal enterprise respondents, the informal employer respondents did not share sophisticated financial considerations like business models or cost structure. These owners had direct control over their financial and daily decisions, including whether they will join *Jamsostek*. However, in this study, none of the informal employer respondents had registered their businesses in *Jamsostek* programmes.

Financial capability might be one reason for their non-participation decision. Some respondents assumed that the contribution rate would be too high for informal businesses like them. Nevertheless, they admitted that their assumption was not accurate when they learned about the level of the contribution. Hadi and Utami were two of those who only learned the level of contribution during the interview:

“I’ve just found out the rate. I can afford that. I think all other vendors in the street market can afford it too [...] If they’d informed us about this, I would’ve registered.” (Hadi, informal employer)

“That contribution rate is affordable and acceptable for informal workers. It’s very affordable.” (Utami, informal employer)

From the comments, it seems that those employers had no concerns about the amount of contribution once they knew about it. However, as we carried on with the interview, both Hadi and Utami shared that they were more concerned about other issues, such as the registration administration’s complexity, ease of paying, time consumed, and other things that might come up upon registering into the programme:

“I think we can still afford it. We might join if they organise it for us. I don’t want to do all the administrative nitty-gritty. Also, I think everybody feels that they already have *KIS*,³⁰ which is free of charge, so it is unnecessary to join *BPJS Ketenagakerjaan*.” (Retno, informal employer)

Apparently, these concerns were more prominent for informal employers, and their non-participation in *Jamsostek* was not merely about the amount of contribution.

Other respondents remarked on some other reasons, such as social pressure:

“Yes, I know the rate; it’s around sixteen thousand Rupiahs. It’s not expensive. But I don’t know why I haven’t been moved to register. It’s not a big amount of money. Maybe it’s just because my peers are not registering yet as well.” (Tika, informal employer)

“We don’t mind bearing the cost of the contribution. But the more concerning issue is that other businesses around us are not registering. In my environment, it would cause a social problem if I’m the only one who pays it for my employees.” (Anissa, informal employer)

³⁰ KIS (Card for Healthy Indonesia) is given by the government to particular groups of people. The card holder get free medical treatment with certain conditions.

All respondents agreed that the contribution rate was affordable for them. However, there were various reasons for not registering their business with BPJS Ketenagakerjaan. Various concerns were mentioned, such as administrative procedures and social influence. The administration issues are discussed further in section 5.5, while the social norms and cultural issues are discussed in section 5.7.

5.4. Information and knowledge

In addition to the lack of enforcement, another condition that could lead employers to have reasons not to participate in *Jamsostek* is their ignorance of *Jamsostek* programmes. The majority of respondents who did not participate in *Jamsostek* ran micro and informal businesses where smaller businesses had least knowledge regarding *Jamsostek*. The results of the enquiry reveal that the level of *Jamsostek* knowledge varies between large corporations and smaller and informal employers. The interview data also demonstrates that employers in various firm sizes and economic sectors have varying access to information.

5.4.1. Different levels of knowledge across economic sectors and business sizes

The data analysis shows a diverse level of knowledge between respondents. When respondents were asked preliminary questions such as whether they had ever heard or were aware of the existence of *Jamsostek*, they came up with various answers. Interestingly, their responses were sometimes completely contrasting. For example, let us look at these two comments below:

“Not only I am aware of *Jamsostek*, but I also know the problems, benefits, the positive impacts for us as the employer, and how it would bring benefits for our employees.” (Bayu, large/formal employer)

Compared to:

“I have never heard of it. I’m sure my customers know about this since most of them work at the offices. But, I’m just a lower class person. I don’t talk about that thing.” (Hadi, informal employer)

As we can see, those responses were coming from employers with different business backgrounds: formal and informal business. Box 5.1 gives the business backgrounds of those two respondents.

Box 5.1. Bayu and Hadi

Bayu

Bayu represented an employer who operates in the formal sector. His company was a large-scale enterprise in terms of the number of employees. It employed around 350 workers, including permanent and non-permanent employees. The firm was a partnership between an Indonesian businessman and a U.S.-based principal agent. He claimed that his company was very compliant with the social security obligation. They enrolled all of their employees, including non-permanent employees, into the *Jamsostek* programmes.

Hadi

Hadi was the owner of an informal business that run a small food and beverage stall. He had always worked in informal businesses, with no experience of working in a formal company. He had been running his own business for about twelve years. At that moment, he only had one employee. Hadi did not even know *Jamsostek*, let alone participate in the programmes.

Bayu and Hadi had lived two contrasting business experiences. Bayu had been operating his business in the formal sector for many years, while Hadi had no previous experience running a business as a formal enterprise. Bayu felt very confident about his knowledge of the programme, while Hadi seemed to have no clue about it. This might be an extreme example that shows contrasting knowledge about *Jamsostek* between formal and informal economic actors, but it is a good starting point for the analysis, indicating that there were different levels of knowledge between those types of employer.

Indeed, other informal employer respondents were aware of *Jamsostek*. Utami, one of the informal employers, said that she knew of the existence of *Jamsostek* because she used to work for a formal company before she decided to quit and run her own business. Unlike Hadi, Utami had experience of working in some formal businesses. However, Utami mentioned that she only knew a little about *Jamsostek*. She recalled:

“I don't know the programmes provided by BPJS Ketenagakerjaan, nor the benefits and contributions. When I was an employee [in a formal company], all I knew was that they deducted my salary every month without me knowing the benefits. Now, I'm in an informal business. I'm not sure if it also applies to informal workers.” (Utami, informal employer)

Utami thought that *Jamsostek* was only for formal workers. She did not know that her employees, or those working at street food stalls or vegetable vendors on the streets, could also register into the programmes. She was sure that her peers, who were freelancers and independent workers, did not know about this either.

Another respondent, Kusno, shared a similar view. Kusno run his business as a formal enterprise with a small-medium scale (SME). He had just registered his

business as a formal firm after running it for more than two years informally. Yet, he did not have sufficient knowledge about *Jamsostek*:

“I know that *Jamsostek* exists. But, I don’t know the detail, like how much we should pay or what benefits we can get. So, I’ve never thought of finding more information and registering my employees into the programmes.”
(Kusno, SME/formal employer)

Like Utami, Kusno assumed that the government has not yet targeted small businesses to participate in *Jamsostek*. He believed that most of his small business friends did not have sufficient knowledge about *Jamsostek* either. Although he was unsure whether he would register his employees if he got more knowledge about *Jamsostek*, he hoped the government would try to approach them:

“Well, at least they can try to explain it to us. Maybe we would be interested. Maybe I would have a think about it.” (Kusno, SME/formal employer)

Those discussions above imply different levels of knowledge between economic sectors and business sizes. In this regard, there might be different approaches to delivering information between formal and informal businesses. Those in formal businesses may have different experiences in accessing or obtaining the information than those in informal businesses. Therefore, the next part will discuss some modes of acquiring knowledge about *Jamsostek*.

5.4.2. Different ways of accessing the information

Like Hadi, another large-firm employer, Wulandari, showed very sound knowledge about *Jamsostek*. She said with confidence that she always got updated information about it and was very satisfied with the communication of BPJS Ketenagakerjaan.

Furthermore, she mentioned that her company is among the 'platinum members', who often receive invitations to seminars and gatherings held by BPJS Ketenagakerjaan:

"They often arrange gatherings for platinum companies. We're one of the platinum companies. At those events, they also invite special speakers. So we always get new information, such as new benefits and any updates."
(Wulandari, large/formal employer)

Wulandari's explanation indirectly reveals the strategy of BPJS Ketenagakerjaan in communicating with enterprises and workers. They had member segmentation that labels some enterprises as 'platinum members'. This indicates different treatment for different sizes of company. It adds to the argument that large companies are served with better information than smaller ones. While big companies have the privilege of obtaining updated information, smaller firms need to actively search for information by themselves if they want to stay updated.

For instance, Ilham, a formal-SME employer, commented that his company had been rarely invited to such gatherings. However, Ilham acknowledged that BPJS Ketenagakerjaan allocates a Representative Officer (RO) for each firm to provide consulting services about *Jamsostek* issues. Nevertheless, Ilham only contacted the RO for monthly reporting and if he had any trouble claiming benefits for his employees. Indeed, he thought that he had moderate knowledge but mainly obtained it through other sources like the internet rather than directly from BPJS Ketenagakerjaan: "*I guess I know enough about Jamsostek. I got it mostly from the internet.*"

Nia, who had a newly established firm, shared a similar experience. She recalled going to the BPJS Ketenagakerjaan office to search for the registration information by herself because she had opened a new office:

“I went to their office, and they gave me some brochures that explained the benefits. [...] But they have not given any further communication since then. It depends on how active we are in searching and enquiring for more information.” (Nia, SME/formal employer)

This implies that even within the formal sector, employers of different sizes shared different experiences and perspectives. Big and well-established firms tended to have more knowledge than newer or smaller firms. So, how are informal businesses able to access the information?

While some informal employers (see section 5.2.1) mentioned that the government agency had not reached them, others admitted that the authorities had made an effort. Some modes of delivering the information were through local authorities and other government agencies. Some informal employers recalled:

“Actually, they’ve once delivered this kind of information [*Jamsostek*] through our village leaders. We were invited to the village hall, some came, but some didn’t.” (Tika, informal employer)

“There was a gathering held by the agriculture office whose one speaker talked about *BPJS Ketenagakerjaan*. But it was a long time ago. I don’t remember about the detail.” (Retno, informal employer)

“Well, actually a government agency once explained the programme to us, but I didn’t pay any attention, neither did anyone else I guess.” (Anissa, informal employer)

The experiences given by Tika, Retno and Anissa imply that the government and BPJS Ketenagakerjaan had made efforts to approach informal businesses and delivered the information. However, those comments also indicate a lack of continuity in this approach. There is an impression that those activities were just one-off events without further follow-up. The respondents vaguely recalled that they had participated in one event without having enough understanding to eventually make decide to participate in *Jamsostek*.

From those shared experiences, we might say that BPJS Ketenagakerjaan had different approaches to delivering the information to each employer group. BPJS Ketenagakerjaan seems to have found a practical approach to the large companies through the 'platinum members' initiative, which is not applied to small and medium enterprises (SMEs).

Furthermore, BPJS Ketenagakerjaan might need to find better alternative strategies to approach informal businesses. Some informal business owners said they had little knowledge and had never been approached by the administrator. Meanwhile, others mentioned that BPJS Ketenagakerjaan had tried to approach them, although the employers did not respond very well. The government's strategy of approaching these different groups are discussed further in Chapter 7.

5.4.3. The importance of information and knowledge to registration decision

Previous sections highlight the various levels of knowledge and modes of accessing them, whereby smaller and informal businesses tend to have limited knowledge and access to information. But the following crucial question is whether they would decide to join *Jamsostek* if they were well informed.

Most informal employers at the beginning of the interview did not know much about *Jamsostek*. Then, during the interview, they asked questions that showed their curiosity about the programmes. Many expressed their interest, even though they had not committed to participate in *Jamsostek*. Hadi, one of the respondents, was asked why informal businesses do not join *Jamsostek*:

“I don’t know their reasons for sure. But for me, I haven’t registered because I didn’t know anything about it. Of course, I don’t know how to register. Knowing that small traders like us could also be covered, I’d like to have it [*Jamsostek*] as well.” (Hadi, informal employer)

Kusno, another respondent, also showed his interest after learning about the programmes and getting a rough estimate of the contribution payment. He wondered why they had never received this information. They might be interested if they got more knowledge:

“Yes, I’m interested. With that level of contribution, we can be fairly covered [by *Jamsostek*]. But, I really need to know more about the details. I think it’s appealing.” (Kusno, SME/formal employer)

Another employer, Utami, said that she might be interested but was not sure if her employees would want to be registered:

“Well, I’ve got some good knowledge from this interview, actually. I would find more information and maybe tell my employees about it. But I’m not sure if they would accept it well. Well, you know, it’s hard to explain it to them.” (Utami, informal employer)

Even though the knowledge would not always directly lead to registration decisions, it would at least increase their interest. However, as we saw from the comments of

some respondents like Kusno and Utami above, there were further issues, such as financial considerations and how employees view future risks, even after having the initial knowledge. The financial concerns are explored in section 5.3, while the view of risks is discussed further in section 5.8.

5.5. Indirect costs and administration issues

Section 5.3 above shows that financial considerations are not always the main factor in *Jamsostek* non-participation decisions. Respondents could accept the contribution rate after being informed about the actual amount. Instead, their concerns were more about other costs and the administrative complexity they might encounter if they participated in the social security system.

This section further shows the respondents' concerns about indirect costs and administrative issues. Their participation in *Jamsostek* would not only have direct financial consequences, namely paying the contribution, but may also lead to indirect costs, both financial and non-financial, such as consumption of time and energy. These indirect costs might be in the form of travel costs and opportunity costs while they leave their businesses. They were also concerned about dealing with administrative complexity in the registration process and contribution payment, employment reporting, and claim procedures.

However, those concerns were expressed mainly by informal employers who had never participated in the *Jamsostek* programme. On the other hand, most formal employer respondents did not indicate much concern about these administrative

issues. They considered administrative tasks as manageable issues, as shown in section 5.5.1 below.

5.5.1. Formal employers' perspectives on coping with administrative issues

Most formal employer respondents said that they have no substantial problems regarding the administrative procedures. They admitted that they are used to dealing with administrative tasks in their operations. Hence, they did not see any problem if they have to deal with administrative procedures regarding social security.

Instead, formal employers appreciated the smooth process provided by BPJS Ketenagakerjaan. One respondent recalled a time when she and her company made social security claims:

“The process is very simple, very smooth. [...] We only needed to show our membership card, and then we could proceed to the medical treatment.” (Wulandari, large/formal employer)

Another employer, Bayu, implied that he had had a similar experience. Although he initially thought that the administrative process would be complicated, after he went through the process, it turned out that it was not:

“At first, it seemed that it would be a very troublesome process. [...] However, it turned out to be less of a problem when we actually went through it.” (Bayu, large/formal employer)

Although he could deal with the administrative procedure, he also added that the process could have been improved by simplifying some steps. He said that BPJS Ketenagakerjaan should eliminate unnecessary steps yet still keep the principle of

prudence – for example, by eliminating meticulous reporting to many agencies and replacing them with an integrated system:

“We had this experience. One of my employees had an accident; then, he was taken to a hospital in BSD, Tangerang.³¹ We must report to the Agency of Labour in South Jakarta and BPJS Ketenagakerjaan in another area. It took a lot of time to go from one place to another. Why don’t they just scan our membership card, then in a certain way, they have got all the data needed so we could proceed to the hospital treatment?” (Bayu, large/formal employer)

Aside from the claiming process, Bayu also added his concern about how he must manage the administration with three different branch offices of BPJS Ketenagakerjaan:

“I manage four companies. One company is registered at *Menara*³² branch office, while the three others are registered at *Marunda* branch office. The nearest branch to our office is *Menara*, actually. But they registered our companies in different branch offices. So, sometimes we have to go to those different branches, which consumes a lot of time.” (Bayu, large/formal employer)

However, he admitted that this was not a significant problem for his company. He said that he was fortunate to have people who took care of this matter and were provided with company vehicles for the travel. He was only worried that it would be a problem for smaller companies because of their limited resources.

These formal employers tend to be able to cope with administrative problems, both because they were able to provide adequate resources, either financial or human

³¹ Tangerang is on the outskirts of Jakarta.

³² Each of the branch offices is named after its location, such as *Menara* and *Marunda* branches.

resources, and also because they have already experienced the administrative process first-hand. But how about those non-participating employers, particularly informal businesses? The following subsections present their perceptions about these administrative procedures and indirect costs that may arise from participation in *Jamsostek*.

5.5.2. *Informal employers' concerns about administrative complexity*

While those formal employers might be able to cope with administrative issues, informal business owners worried that they would have to deal with complicated administrative procedures as a consequence of their participation in *Jamsostek*.

Utami is one respondent that shared many concerns about these issues:

“In Indonesia, there are so many unauthorised small businesses because it's too troublesome to get a business permit. Moreover, we can easily do business without any permits. So, we are afraid that if we register our employees with *Jamsostek*, then it will run into other things like taxation and business permits. The formality needs more effort such as documentation and proper bookkeeping. Furthermore, it will reveal our other unregistered businesses, which will lead to bigger administrative problems.” (Utami, informal employer)

Although she admitted that not all informal employers would have the same thoughts, she believed that she represented many informal business owners in this matter. They were worried that registering their employees into *Jamsostek* might cause their business to get on the 'radar' of authorities like tax services and business licence agencies. She argued that it is different from *BPJS Kesehatan*. People can register with *BPJS Kesehatan* individually without including their employer's data so they can keep it 'undetected'. For Utami, being on the 'radar' would force her or other business

owners to do proper administrative procedures and bookkeeping that might consume more energy and time. She suggested it would be unrealistic to expect them to be able to provide such proper paperwork.

Even if workers registered themselves for *Jamsostek*, Utami argued that they would still need their employer or someone to help them manage the administration and monthly contribution payment. She imagined that it would be a problem because many of these individuals do not have a bank account or an ATM card to make payments. Hence, these informal workers would still need a ‘coordinator’ to manage their payments:

“I think not all informal workers have an ATM card. I can mention many examples around me who have no ATM card, such as our community security guard,³³ workers at street food stalls, and many other street vendors. I guess they would need someone to coordinate the contribution payment if they were registered [to *Jamsostek*].” (Utami, informal employer)

Similar thoughts were also expressed by Kusno, a small business owner. He had just made his business a formal entity. However, he had not registered his employees in the *Jamsostek* programme. Although he was willing to fulfil his obligation as an employer, *Jamsostek* registration was still not on his list of priorities. One of his reasons was that he did not know enough about this programme and the registration complexity:

“Well, I’ve never had any experience with this [*Jamsostek*]. But, in my mind, I can see it will be a complicated bureaucracy. I don’t know how the

³³ In Indonesia, it is common for a community or residents to hire a local security guard. They are usually hired informally by the community.

registration process is going to be; I don't know where to go; I don't know their nearest branch office. I can imagine the complexity. It's different from commercial insurance. Some of them come to us to explain, and they provide a registration service on the spot. On the contrary, I believe that we have to go to *BPJS Ketenagakerjaan*'s office if we want to join *Jamsostek*." (Kusno, SME/formal employer)

Meanwhile, another informal employer, Tika, was more concerned about the difficulties of getting the claimed benefit. She said that even imagining the problems added to her unwillingness to be registered in *Jamsostek*:

"If one day we have to join the programme [*Jamsostek*], I hope they will make an easier procedure for claiming. That's all I hope. I don't expect more. The ease of getting service. Because I've heard that the claiming process is complicated. For example, they [*BPJS Ketenagakerjaan*] don't accept accident cases that occur on a Sunday. This matter adds to my doubts about joining the programme." (Tika, informal employer)

Even though all these respondents admitted that they had never experienced the services of *BPJS Ketenagakerjaan*, they felt that the bureaucracy would be complicated. However, if one day they decide to participate in the *Jamsostek* programme, they hoped that everything will be more accessible.

5.5.3. *The indirect costs of participation: travel costs and time constraints*

At the end of section 5.5.1 above, a formal employer, Bayu, supposed that smaller businesses would have a problem dealing with *Jamsostek*'s administrative requirements that might incur costs. Bayu's concern was confirmed by looking at some statements from informal employers. For example, Utami, one of the small business owners, said that even if she decided to enrol her employees in *Jamsostek*,

she was worried that she would have to travel to BPJS Ketenagakerjaan's office periodically for reporting and contribution payment:

"The registration process would be one problem. Even if we decide to join *Jamsostek*, we still need to go to their office [BPJS Ketenagakerjaan] to report and pay the contribution. You cannot expect us to spend our money on the travel cost just to do that every month." (Utami, informal employer)

A little different to what Utami said, Hadi, another business owner, said that he did not mind participating in *Jamsostek*. But the problem was that he could not spare time on weekdays for the registration. His operational business hours run from very early morning until late in the evening. Hadi could not leave his stall on weekdays and lose the income opportunity for the day. He assumed that he must present at BPJS Ketenagakerjaan's office and imagined it would be confusing to deal with the bureaucracy:

"I actually want to have this kind of programme [*Jamsostek*]. But, I just don't have time for the registration because I need to go to their office [BPJS Ketenagakerjaan], I suppose. We, traditional market vendors, start our activities at 3 am. In my case, I start at 4 am, then close my stall at around 9 pm every weekday. So, I don't have time for this kind of thing. I can do it on Saturday or Sunday, but they [BPJS Ketenagakerjaan] are closed on those days." (Hadi, informal employer)

Time availability was also one of the reasons why Kusno was not participating in *Jamsostek* at the moment. He did not want to take a day off to go to BPJS Ketenagakerjaan's office and deal with the registration process:

“The problem is timing. [...] I don’t want to leave my work only for registration. I left for a whole day when I registered my employees to *BPJS Kesehatan*.” (Kusno, SME/formal employer)

5.5.4. *The high employee turnover rate in informal businesses*

Small business employers, as well as those who are in the informal economy, might deal with different problems to those in formal business. Some informal business owners mentioned that one of the problems commonly found in running an informal business is the high employee turnover rate. Some respondents conveyed this problem:

“Finding new employees is quite easy. But, maintaining them is the difficult part. Working in this kind of business is more tiring than many other jobs. [...] It’s difficult to keep them staying here in the long term.” (Kusno, SME/informal employer)

“We have a high rate of employee turnover. [...] It’s not a place for a career. Someone will be stuck in one position forever, and most people don’t like that. They tend always to move to work elsewhere.” (Utami, informal employer)

Another respondent who was disturbed by this problem is Aulia. He often sees employees come and go within a relatively short time of working:

“In their mind, it’s all about money, money, and money. They don’t think about loyalty or business experience. They only look for jobs that offer higher pay. They will just leave us suddenly when they get a higher salary offer. We don’t have any choice but to let them leave.” (Aulia, informal employer)

This high turnover rate might discourage employers like Kusno, Utami, and Aulia from participating in *Jamsostek*. Utami said that the high rate of employee turnover is one of the reasons for her decision not to enrol her employees in *Jamsostek*. As we saw in section 5.5.2, Utami talked at length about how she did not want to deal with the paperwork and other formal administrative tasks. This high employee turnover convinces her further not to join *Jamsostek*. She said that she does not want to risk herself falling into an administrative problem for the sake of people that could leave her at any time. Aulia also admitted that the high turnover rate is one of the reasons for not enrolling his employees in *Jamsostek*. He supposed that the high turnover rate would mean he would have to frequently report to *BPJS Ketenagakerjaan*:

“Sometimes they leave after only two or three months of working. Some have even been out for less than a month. So, it would be a hassle if I enrolled them in *Jamsostek*. I’ll be tired of having to deal with the reporting too often. [...] My friends told me that they have a similar problem [...] So, *Jamsostek* registration is not worth the fuss for them.”
(Aulia, informal employer)

There might be some drivers of the high employee turnover rate, such as no career path, low income, or just looking for a better life opportunity; however, no matter the driver, this high employee turnover rate adds more reasons for those employers to not participate in *Jamsostek*.

5.6. Employers' trust in the government to manage social security

5.6.1. *The level of employers' trust in the government*

The respondents showed various levels of trust in the government, particularly in terms of social security management. This level of trust varied regardless of their economic sectors and whether they are in formal or informal business. Some employers, both formal and informal, fully trusted the government, while others showed their lack of confidence. Take the example of these two employers who put their full belief in the government:

“I fully believe in the government. I believe that the government must be responsible, no matter how bad the condition is.” (Ilham, SME/formal employer)

“I have no trust issues with the government in this matter.” (Hadi, informal employer)

Meanwhile, others found that they could not fully believe in the government. Fajar is one of those who expressed concerns, especially when the news was full of corruption cases regarding the embezzlement of public funds. However, he did not care that much as long as they were not losing their social security benefits:

“If we look at the news in the last ten years, there are a lot of upsetting cases such as cheating in regional elections and also the corruption of public funds allegedly to finance political activities. There's some concern that the *Jamsostek* fund would be a target for scandal as well since it is a great deal of money. However, I won't bother as long as they fulfil our rights [social security benefit] when we need it.” (Fajar, large/formal employer)

Similarly, Utami, an informal employer, expressed her lack of confidence in the government, especially regarding the management of public funds like tax and social security funds. Many of her friends have also expressed their concerns about the tendency of government officers toward corruption and manipulation, which might potentially lead to the loss of their money:

“I’ve found that many Indonesian people are pessimistic about the government. A lot of my friends, including me, sometimes say, ‘Why would I pay the tax properly if they may corrupt it?’ There’s a worry that the money that we’ve been saving for our whole working lives, 20 to 30 years, is going to be cut someday to cover the mismanagement, or even gone due to corruption.” (Utami, informal employer)

However, when Utami was asked whether she would prefer it if the *Jamsostek* management be given to the private sector, she firmly disagreed. She would still choose the government to manage *Jamsostek*:

“I can’t say whether I fully trust the government in managing this programme [*Jamsostek*]. However, I disagree if its management is given to the private sector. It must be managed by the government.” (Utami, informal employer)

Even if Utami could not put her complete trust in the government, she still believed that the government is the one that should manage social security. As we will find in section 5.6.2 below, most respondents prefer the government’s management, regardless of their trust level.

5.6.2. Employers prefer government over private sector to manage social security

Even though the level of trust in the government varied among employers, most respondents preferred the government to control *Jamsostek* rather than giving it up to the private sector or the market. Fajar, for example, as shown in section 5.6.1, mentioned that he could not fully believe in the government considering there had been so many fraud cases. However, he did not want the private sector to handle social security fund management:

“I think it must stay in the hands of government. It’s in the law that the government must arrange social security for the people. The government should take care of its people. After all, they get their financing from the people, so they must use it to take care of the people. In any case, the social security administration must be in the domain of government. Don’t let the commercial private sector handle it. There will be business intrigues. Who would guarantee it when there is fund mismanagement or a default? It is more unfavourable for us.” (Fajar, large/formal employer)

Similarly, Utami, who had expressed her lack of confidence in the government, insisted that *Jamsostek* must be controlled by the government:

“Please don’t give it to the private sector to manage it. Just keep it like this. Currently, it is managed by a state-owned company, isn’t it? It means although it’s a business entity, indirectly, it’s still controlled by the government. Don’t let a private company manage it since it could default.” (Utami, informal employer)

Other employers also stated that they prefer the government to manage *Jamsostek*. They argued that even with the many corruption cases involving government officers,

they believe that the government has more capability in ensuring the sustainability of *Jamsostek* programmes compared to the private sector:

'Well, I don't fully trust the government in managing this, even less because of the recent case with *Jiwasraya*.³⁴ It is owned by the government, too, as a state-owned company. So, there is still concern about it. However, I prefer social security to be managed by the government. Psychologically, I feel more confident if the government handles social security, especially regarding fund sustainability. I also see that in terms of managing the public fund, most people put more trust in the government compared to the private sector.'" (Kusno, SME/formal employer)

The same thing was expressed by Ilham, who stated that even if the private sector or the market offered better service and simpler bureaucracy, they could not guarantee the sustainability of funding like the government can. Hence, he preferred the government to manage social security as sustainability is the most crucial thing in social security:

"I prefer the government to handle *Jamsostek* because it's better for funding sustainability. I won't be guaranteed sustainability if it's managed by private companies. However, there might be some positive things offered by companies, such as flexibility and simpler bureaucracy. Still, I prefer the government. Even in a harder situation, I believe they will always preserve it." (Ilham, SME/formal employer)

More support for government management also came from other respondents. Nia, one of the employer respondents, saw no need to give social security management to the private sector as there had been no significant problems with the government

³⁴ *Jiwasraya* is an insurance company owned by the state. In 2020, a series of *Jiwasraya*'s cases was revealed to the public. Because of fund mismanagement, it could not pay the claims of its customers. See Sayekti (2020) for more details.

management so far. Nia added that social security as a basic programme should be maintained and controlled by the government. Commercial insurance was considered optional for employers who could afford to give better benefits to their employees:

“There must be basic protection in the form of social security. People may also have commercial insurance, but only as additional insurance. It mustn’t negate the participation of social security provided by the government.” (Nia, SME/formal employer)

Meanwhile, some did not mind whether it is managed by the government or the private sector; the important thing is that their rights are not reduced or lost:

“I don’t mind whether it is handled by the government or private sector. It was once managed by a commercial business entity,³⁵ after all. It doesn’t really matter as long as there is no reduction in benefits or services.” (Wulandari, large/formal employer)

As we can see from those opinions, employers were inclined to trust the government regarding social security management. Despite some problems, such as rampant corruption and bureaucratic procedures related to government services, employers generally believed that the government has more capacity than the private sector to ensure the funding sustainability of social security programmes.

³⁵ As we saw in an earlier chapter, before 2014, the *Jamsostek* programme was managed by a state-owned company named PT *Jamsostek* (Persero). It was a business entity which intended to generate commercial profit.

5.7. Social norms and cultural issues

5.7.1. Social environment influence on Jamsostek participation

Some interviewees mentioned one more element that might affect business owners in their business decisions: the community or social influence. The social influence was notably found in small businesses. One of the respondents who mentioned this is Kusno. He had just started his business and said that he and many other small business owners around him frequently discussed business matters. They came together as a community to share information and their experiences in managing businesses. Their communications also touched on insuring their employees, whether in social security schemes or commercial insurance. Many of their business moves were influenced by this kind of discussion:

“Since we’ve been building our business from scratch, we need to exchange our experiences. It will be harder if we struggle by ourselves. In the community, we share how to start a business and how to manage our employees. We had a long discussion about insurance until we decided to register our employees in *BPJS Kesehatan*. But we haven’t discussed *Jamsostek* yet.” (Kusno, SME/formal employer)

Another interesting situation was revealed by Anissa. As mentioned in section 5.3.2 earlier, she was willing to pay the contributions and register her employees in *Jamsostek*. But she had not followed through on her intention because she was afraid of the possibility of being pressured by other business owners around her. She knew that in her environment, people tend to judge and speak ill of other people. Since there had not been any employers in the surrounding area that had registered

their employees, she feared that it would cause social jealousy among workers and hence would cause a social problem between employers as well:

“I don’t mind registering my employees [in *Jamsostek*] and paying for the contribution. But, I’m afraid it would cause a problem since many other business owners would disagree with that. Workers from different employers will talk about each other. Some might have stingy or difficult employers that don’t provide these benefits. These employers will start calling me arrogant or even cocky.” (Anissa, informal employer)

Anissa mentioned that she lives and operates her business in a rural environment where people talk to each other about everything. She argued that this environment is entirely different from the more individualistic urban environment in terms of how people interact. Urban people would not bother about what their neighbours are doing:

“Here, people love talking to each other about everything wherever they meet. They can gossip for hours about small things when they meet while shopping in grocery stores, vegetable stalls, food stalls, and so on. I’m afraid to be the object of their gossip.” (Anissa, informal employer)

She went on to say that she had already discussed it with her husband and elder son. They were also afraid that it would cause a problem if other business owners did not consent. People who did not like the fact that she had registered her employees would target her with hate speech, which might become a burden in her mind and her family’s:

“I’m worried that my employees would start bragging about having *Jamsostek* to other workers. Other workers and employers could either take it positively or negatively. People who don’t like me would start to

scold me. That's my concern. I don't want to hear them say bad things about my family and me. Not all employers would pay the *Jamsostek* contribution for their employees." (Anissa, informal employer)

For her, it is more important to maintain a conducive environment rather than doing unusual things in the community like paying for her employees' *Jamsostek* contribution. However, she hoped that other employers would get better in their businesses so that they were more open to considering *Jamsostek* participation.

5.7.2. *Position of women in the world of informal work*

While not many respondents revealed it, some of them mentioned gender issues that might contribute to how these employers see social security participation. This issue was especially touched on by two informal employers whose employees were all women. Both employers shared the condition of employing women and some problems regarding their participation in *Jamsostek*. The first one is Anissa, who talked about how she recruited full-time mothers or homemakers in the neighbourhood:

"Apart from workers in my workshop, I also employ many homeworkers who are all women. They used to be full-time mothers. It's difficult for them to work in formal factories either because they don't have any educational diploma or simply because they have to stay home to take care of their children and husband. Here, it's almost impossible for women with children to leave their homes for work. So, they are happy to work for me from their own home while doing their duties as housewives."
(Anissa, informal employer)

When she was asked about their understanding of *Jamsostek*, she admitted that she and other employers and workers had been invited to attend an event explaining

Jamsostek. But she explained how her employees were not interested in participating in the programme:

“We were invited to a gathering where some people from *BPJS Ketenagakerjaan* came to explain the programmes. But they just didn’t understand and ignored it. I understand that these women don’t really care about *Jamsostek*. They only care about making money, not spending on this kind of thing.” (Anissa, informal employer)

Furthermore, she explained how these women did not position themselves as the person with primary responsibility for being a breadwinner in the family.

Hence, they did not want to pay a *Jamsostek* contribution with their earnings:

“Women work harder than men. Men only work on their daily jobs. But women start their activities earlier, cleaning up their houses, cooking for their families, taking care of children, and earning money from working for me. However, they don’t consider themselves the main breadwinner. So, they don’t want to spend their earnings on something like *Jamsostek*. They don’t mind being registered as long as it’s free, like *KIS*.” (Anissa, informal employer)

Another business owner, Utami, also expressed her doubts about registering her employees in *Jamsostek*. She talked about several reasons for not participating in social security, and one of them was because all of her employees were women. Based on her experience and what she saw, these women workers were often not continuous their working life, which was usually caused by giving birth to children. Hence, participating in *Jamsostek* is unfavourable since they have less potential to receive the benefits due to their non-continuous working life:

“My employees are all women, young women who are still single. I noticed that many women who work in informal businesses tend to resign from their work as soon as they give birth. I can even say that it’s almost always the case. Well, they might start to work again sometime after it. But, it’s almost certain that they have to resign, which means that their employers are not paying them. So, I don’t think it’s wise to register them in *Jamsostek* because of their non-continuous working life. I mean, let’s say they’ve been paying contributions for three to five years and suddenly they stop working; then they got nothing from *Jamsostek* after all of the payments that they’ve made.” (Utami, informal employer)

Although this gender issue does not appear in many interviews, it might be worth taking into account in this study, especially in exploring perspectives of those in informal businesses.

5.7.3. The role of religious beliefs in participation decision

Although religious beliefs did not appear much in the interviews as a factor determining *Jamsostek* participation decisions, two respondents highlighted the importance of their religious beliefs in shaping their decision. One of them is Anissa, who mentioned that her decision to not register her employees had taken into account her religious beliefs. On the one hand, she considers paying *Jamsostek* contributions as a good deed; but on the other hand, she feels it might cause greater harm:

“Apart from all the problems that prevent me from participating, I think it’s a good programme. I don’t mind paying the contribution for my employees. I consider it as giving alms. Still, after considering it, the harm it might cause outweighed the good. Based on my [religious] belief, we

must choose not to do something that may cause very much greater harm than good.” (Anissa, informal employer)

She argued that her participation decision might cause trouble to other employers, which might lead to defamation. She said it is considered a big sin to cause people to slander and cause social unrest (see section 5.7.1).

Meanwhile, another employer, Aulia, accentuated that his religious beliefs are the main cornerstone of his business decisions, including not participating in *Jamsostek*. Indeed, he also mentioned several other reasons for not participating, as mentioned in earlier sections. However, he frequently noted that religious belief is the fundamental reason behind those. As a matter of fact, he said from the beginning that he consented to the interview in order to convey his opinion that this social security programme does not follow the principles of his religious belief:

“I used to use money from *riba*³⁶ for my business, but I’ve left that *riba* practice because God wouldn’t give his blessing on businesses built with *riba*. Those who succeed in their business using *riba* will only get pleasure in this world, but not in the hereafter. It is forbidden money. God and the Prophet promise to fight *riba* eaters until they seem unable to walk. When I’m talking *riba*, it includes social security, particularly *Jamsostek*.” (Aulia, informal employer)

Instead of participating in *Jamsostek*, he suggested people go back to the practice of giving alms. He argued that it is the best insurance that we can have since God is pleased by people who give alms.

³⁶ Under Islamic law, *riba* can be roughly translated as “usury”, or unjust, exploitative gains made in trade or business.

“If I hadn’t learnt the concept of insurance in Islam, I might say that it is important to participate in social security. But now, I’m sorry to say that social security is not important for us. I found that any insurance scheme has the substance of *gharar*,³⁷ which we as Muslims are not allowed to practice. The best insurance is to give it all up to God. God has destined our life and death that we cannot deny. I believe alms is the best insurance for all of us. The alms repel all misfortune that might happen.”
(Aulia, informal employer)

Aulia also reiterated that he would not participate in *Jamsostek* as long as it was against the principles of his religious teachings. He added that he would teach his employees and families to earn blessed money:

“Most likely, I won’t register my employees in *Jamsostek*. I want to run a blessed business. I teach my employees that what they do in their work is part of worship to God. I teach them how to earn *halal* money. I teach them how to insure ourselves to God by giving out alms and helping needy people. Not by joining an insurance company because it’s *haram*.”³⁸ (Aulia, informal employer)

He continued, saying that if *Jamsostek* is considered a good governance practice, then he urged the government to adjust its implementation according to Islamic principles immediately. He argued that since the majority of Indonesian people are Muslim, the government should adjust it to make it more acceptable to Muslims:

“I think they should develop it following *sharia*³⁹ since Indonesia is a Muslim majority country. There are many *ustads*⁴⁰ voicing anti-*riba* study.

³⁷ In Arabic, *gharar* literally means uncertainty, hazard, chance, or risk. It can be described as “the sale of what is not present”.

³⁸ Arabic term meaning “forbidden”.

³⁹ Arabic term meaning “Islamic law”

⁴⁰ In Arabic, this term refers to “teachers” in general; but in Indonesia, it denotes Islamic religious teachers.

So, I think it's not good for the government if they don't consider developing *Jamsostek* with *sharia* principles." (Aulia, informal employer)

Although religious beliefs did not appear in many interviews, they seemed to matter for many Indonesian people, as significantly voiced by Aulia.

5.8. Risks and benefits of *Jamsostek* participation

Almost all formal firm respondents were registered with social security. Meanwhile, none of the informal business respondents had registered yet. As seen in section 5.2 above, formal employers mentioned that, in principle, they participate in *Jamsostek* because they obey the law. Meanwhile, informal businesses had not registered with *Jamsostek* either because they did not know anything about it or considered it non-mandatory participation.

However, the registered companies appreciated the benefits of their participation in the programmes. Some said that it is advantageous because of their high rate of incidents. Meanwhile, unregistered informal employers argued that *Jamsostek* is unimportant since they operate low-risk businesses. Even if there are risks, they can handle them independently without the programmes.

Formal enterprises, particularly large firms, also preferred to pay for certain costs rather than uncertain costs that might be incurred. With certainty, they can manage their businesses more confidently. In this case, social security is considered a certain cost for these firms. On the other hand, informal businesses would rather not pay for something uncertain, like potential risk. They did not want to pay certain costs for

something that might not be incurred to them. In general, there was a diverse point of view between formal employers and informal businesses in seeing the risks.

5.8.1. Risks and incident rate

Registered companies, particularly the larger ones, acknowledged that *Jamsostek* has helped them manage their business risks, especially those related to their employees' financial protection. For example, one large employer shared some major incidents experienced by her employees. Despite those unpleasant events, she was glad that all of her employees were covered by *Jamsostek*. She then admitted that her company had a high rate of incidents, which made them frequently claim the *Jamsostek* benefits:

“Our company has been gaining a lot of advantages from being registered in *Jamsostek* programmes. Our employees receive many benefits from them. We experience accident and death cases every month. Many of our employees have traffic accidents and work injuries, such as being scalded by boiling water.” (Wulandari, large/formal employer)

Wulandari added that their participation had helped them deal with those unfortunate situations without inflicting the company with unpredicted financial expenses. She admitted that her company would not be able to give better benefits to their employees than what *Jamsostek* would give. She went on to explain that with their large number of employees, they would have a higher probability of claiming the *Jamsostek* benefits for their employees.

Bayu, another big employer, shared similar thoughts. He said that one of the reasons his company was so compliant with *Jamsostek* registration was because of the large

number of employees, which led to a higher risk of incidents. When asked why his company was being compliant, Bayu responded:

” I think the most precise reason is that we have a lot of employees. Hence, the risk of incidents is higher. In the last seven years, we’ve experienced three major incidents resulting in death and many other accidents.” (Bayu, large/formal employer)

These experiences imply that companies might take advantage of being registered in *Jamsostek*. They can transfer the risks to the social security administration. However, not all companies shared the same view. Smaller firms might have a different opinion. One SME employer conveyed that although his business deals with some risky equipment, he considers it a low-risk job; therefore, there is a low probability of employees claiming social security benefits:

“In our company, the risk is relatively low. We’ve never experienced any major incident in almost twenty years. We don’t use any risky equipment. Our employees only use equipment like electrified wires, hot filaments, and grinders. The only risk is burns and small cuts. We can handle the risk ourselves that we don’t need to claim it to BPJS Ketenagakerjaan. The only incident that I can recall is when one of our employees injured his eye with iron shards when he was doing the grinding. In that case, we claimed the treatment to BPJS Ketenagakerjaan.” (Ilham, SME/formal employer)

Although Ilham mentioned some risks that might be present, he did not see them as high risks. In this case, Ilham’s employees were at much lower risk of harm than Wulandari’s and Bayu’s. Hence, the probability of them taking up the benefits might be lower. Ilham considers that his firm has a low level of risk, but it appears that larger companies deal with a higher probability of incidents. Regardless of the

industry, this higher probability is a consequence of having a larger number of employees.

In addition to the higher probability of the occurrence of incidents, larger firms prefer certainty over uncertainty. In this regard, paying social security contributions is a predictable cost, while paying for accident treatments or severance pay is more unpredictable. For these companies, predictability is favourable; it leads to better financial planning. One large firm employer shared his thoughts:

“Of course, for a company with a healthy cash flow like us, it is better to spend a certain cost rather than speculating for uncertain costs. It is more favourable for companies with many workers to have this social security. We don't need to worry about any uncertain expenses.” (Bayu, large/formal employer)

5.8.2. Dealing with informal workers' views on risks

Unlike the respondents from formal enterprises, all informal employer respondents admitted that they were not registered in *Jamsostek*. To some extent, almost all of them mentioned that they were dealing with informal workers with different views regarding risks. These employers argued that it is hard to apply *Jamsostek* to them. They said that their employees would refuse to be registered in the programmes. For them, tangible things and immediate needs are what matters. In this case, social insurance like *Jamsostek* is not on their list of priority:

“They prefer it without insurance. The most important thing is the money they receive each month because they can see it directly.” (Tika, informal employer)

This condition is similar to what Utami described. She responded at length when asked why most informal businesses do not join *Jamsostek*. One of the key reasons is the mindset of informal workers. She argued that the programme is not appealing to them because it is intangible. People will not see the benefit immediately after they pay for it. Also, they believe they can handle risks on their own without participating in *Jamsostek*:

“I’m not sure if informal workers are willing to spend their money on these kinds of programmes. You can only be dead once, and you won’t even see the money. And how about accident benefit? God forbid! Nobody wants to get into an accident. If they got small incidents like a scratch or small cut, they’d just need a bandage. [...] I just don’t even have the heart to deduct my employees’ money for something that we don’t even know whether they will get benefit from it. They won’t even be able to see the benefit in their life. If they never get into any accidents or die during the membership, they will not get the money, but they don’t want it to happen either.” (Utami, informal employer)

She argued that this is the mindset of most people who work in informal businesses, making them not interested in joining *Jamsostek*. Although she admitted that when she thought more carefully about it, she realised informal workers’ families are the ones that are in a precarious position. If the breadwinner died or had a serious injury and they did not have any assets, insurance, or compensation money, they would fall under the poverty line. However, she stated that it is too difficult to change their mindset instantly.

Unlike those in the formal sector, informal employers saw that they could deal with risks independently. Most informal respondents considered their business as low risk.

While large companies prefer to pay for certain costs, informal businesses prefer to bet on uncertainty. They chose not to pay for something that may not happen.

The responses above provide some insight into why it is challenging to expect informal businesses to participate in *Jamsostek* voluntarily. One of the main reasons is the mindset of informal workers. Informal employers have to deal with people who prefer to get immediate benefits or immediate rewards. *Jamsostek* programmes like accident benefit and death benefit seem to be unattractive. The benefits can only be obtained when they experience unexpected events. Moreover, they might not have the chance to enjoy the benefits because of their death. These reasons are also pointed out by some scholars such as Manchester (1999), Bailey (2001), and McGillivray (2001). They argue that it is hard for workers to see the distant need for social security during the current time when they are not experiencing retirement or work injury, yet they have to contribute in the present time.

However, these opinions came from the statements of employers, not directly from the workers. They tell us more about how informal employers perceive what their employees might think about occupational social security. This issue is explored further in Chapter 6.

5.9. Conclusion

This chapter aimed to answer the research question of the thesis, which asks about employers' perspectives on the implementation of *Jamsostek* and their decision to participate or not participate in *Jamsostek*. In this effort, it employed an organising framework for the analysis. Based on the framework, this chapter was organised in a

structure that discusses *seven* general themes, namely enforcement and penalties; information and knowledge; financial considerations; indirect costs and administration issues; trust in the government; social norms and cultural issues; and view of risks and benefits.

The *first* theme is law enforcement efforts. Almost all formal employers in this study have participated in *Jamsostek* because it is mandatory by law. Large employers remarked they were very compliant with the law and that they were very disappointed because the authorities had not taken any enforcement action against non-compliant companies. Hence, they questioned the seriousness and competence of BPJS Ketenagakerjaan and other authorities in enforcing *Jamsostek*. Meanwhile, informal employers believed that there is no obligation for them to participate in *Jamsostek*.

Information and knowledge is the *second* theme in the analysis. The employers' knowledge regarding *Jamsostek* is seen as an essential aspect since it might be the first gateway into understanding employers' perspectives toward *Jamsostek*. The analysis suggests that there are different levels of knowledge between formal and informal sectors and also between business sizes. Formal and large enterprises tend to have better knowledge than smaller firms and informal businesses.

The findings also exhibit different ways of accessing information about *Jamsostek*. Based on the analysis, it is revealed that BPJS Ketenagakerjaan has different approaches to delivering information to each employer group. BPJS Ketenagakerjaan seems to have found an effective way to approach the large companies by labelling them 'platinum members' and keeping them well informed.

Meanwhile, BPJS Ketenagakerjaan had not found the best approach for small and medium enterprises (SMEs) and informal businesses.

The *third* theme is financial considerations. Financial issues were considered one of the main reasons employers do not participate in *Jamsostek* because of the cost that they might bear. However, the analysis shows that this is not always the case. Formal employers explained that paying the *Jamsostek* contribution is a normal business practice. Hence, they included it in their budgeting plan. They took it into account in their business calculations along with the considerations of business model and cost structure.

Meanwhile, many informal employers did not previously know the level of contribution of the *Jamsostek* programmes. After being made aware of the contribution rate, almost all of the informal business owners said that the contribution is affordable for them. Apparently, the contribution payment was not the main reason for their hesitation in *Jamsostek* participation. Instead, they mentioned more concerning issues, such as administrative complexity and indirect costs, which is the *fourth* theme of this chapter's discussion.

There were different perspectives between formal and informal businesses in terms of administrative tasks or bureaucratic processes. Most formal employers said that they are used to dealing with administrative tasks so they are fine to deal with any administrative procedures related to their participation in *Jamsostek*. On the other hand, administrative complexity is seen as a substantial burden for informal employers. The analysis implies that administration issues might be more concerning for them than the contribution payment. They were worried about getting into more

trouble and about invisible costs as consequences of participating in *Jamsostek*. The nature of informal business, like a high employee turnover rate, also makes administration tasks harder for them.

Trust issues were also discussed in this chapter as the *fifth* theme. In terms of trust in the government, there was a split opinion between employers, regardless of whether they were in formal or informal businesses. Some fully believed in the government, while others could not put their complete trust in the government. However, interestingly, all employers preferred the government over the private sector when it came to social security management. They all argued that the government must provide social security to its people. They also admitted that the government has a better capacity than the private sector in funding sustainability.

The *sixth* theme is social norms and cultural issues, which covers the role of social influence, gender, and religious beliefs in *Jamsostek* participation. These issues did not appear in most interviews. However, for some respondents, particularly those in informal businesses, these issues are crucial.

Some respondents considered their community and surroundings when taking business decisions. One respondent particularly shared that she held back her intention to participate in *Jamsostek* because it would arouse social jealousy that would lead to social unrest.

Gender is another issue that emerges, particularly in informal businesses. Women often position themselves as secondary to the main breadwinner. Hence, they did not see *Jamsostek* as their responsibility. Their earnings were not for that kind of spending. One employer also highlighted another problem with women workers: their

non-continuous working life. Women tend to stop working when they give birth. Hence, it is unfavourable to register them in *Jamsostek* because of their indefinite tenure.

Although religious belief was not mentioned frequently, it has a substantial role for some respondents in terms of their participation decision. One respondent in particular clearly refused to participate in *Jamsostek* because it does not follow Islamic law. He urged the government to adjust the implementation of *Jamsostek* to follow Islamic law since Indonesia is a Muslim-majority country.

The difference in perspectives between formal and informal employers was also seen in how they consider social and employment risks, which is discussed in the *seventh* theme. Respondents with many employees tend to see *Jamsostek* participation as favourable to their businesses, partly because of the higher risk of incidents. They appreciated the benefits they and their employees have had due to risks such as death and accidents. They also preferred to pay a certain contribution rather than speculating about incidental costs. On the contrary, informal employers shared completely different perspectives. Informal employers believed that their employees can handle social risks by themselves without participating in *Jamsostek*. They admitted that it is about mindset. Employers argued that it is difficult to expect informal workers to accept something intangible like *Jamsostek*. They did not want to pay for something that does not give an immediate return or may never even come. The benefits can only be obtained when they experience unexpected events.

Those are the issues that arose in the analysis of employers' perspectives on the implementation of *Jamsostek* as well as their decision about whether to participate in the programmes.

CHAPTER 6. WORKERS' AND SELF-EMPLOYED PERSPECTIVES ON *JAMSOSTEK* PARTICIPATION

6.1. Introduction

The previous chapter explores the perspectives of employers. It presents how they see the implementation of the *Jamsostek* programmes and how the government and administrators deliver the programmes. That previous chapter, together with Chapter 2 (regarding the social security system in Indonesia), implies that workers' registration in *Jamsostek* mainly relies on employers. However, employees might also contribute to the employers' decisions. Indeed, some informal employers mentioned that their non-participation decision was partly based on the wishes or views of their employees. Hence, this chapter further examines how these employees perceive this and whether they confirm the employers' claims.

Most of the respondents from the formal worker group are registered with *Jamsostek*. Nevertheless, there might be some interesting views from the formal workers regarding the implementation of the *Jamsostek* programmes, such as about the services, benefits, and contribution level and also how they would react if their employers did not automatically register them. On the other hand, informal and self-employed workers face very different conditions. None of the respondents in this group had yet become participants. Their employers do not automatically register them. Although the law states that every worker in Indonesia, both formal and informal, needs to be registered in the social security programme, informal workers and the self-employed must technically register themselves into the social security system. Hence, it is critical to understand these workers' perspectives on *Jamsostek*.

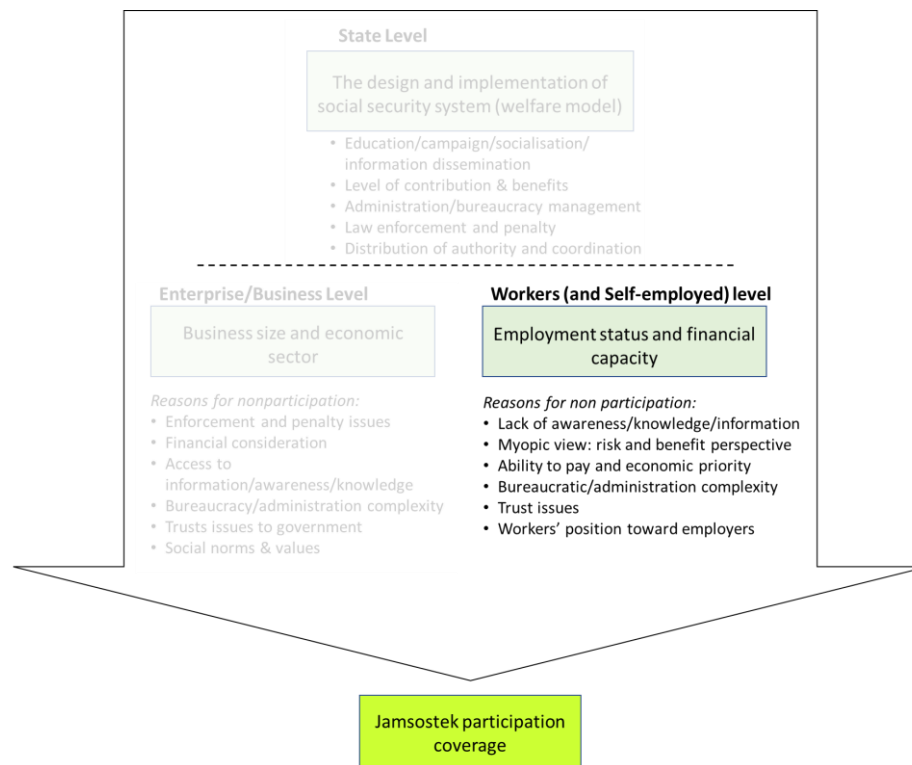
Thus, this chapter presents an empirical study of workers' views on the implementation of the *Jamsostek* programmes. A qualitative approach, namely interviews, was used for data collection. In total, 21 people from formal and informal employment participated as interviewees in this study. The analysed data was then presented to try to answer the following research questions:

How do employees view and respond to Jamsostek's programmes?

Why do they or don't they participate in Jamsostek?

Just like the previous empirical chapter, this chapter uses the theoretical framework developed in Chapter 3 (see Figure 6.1 below). The analysis results show the emerging themes that echo the theoretical framework. Thus, the discussion is organised based on these themes, starting with workers' awareness of *Jamsostek*. The following section presents workers' perspectives on social risks and social insurance. The next section provides workers' views on financial capability, both theirs and the company's. The next one discusses issues regarding bureaucracy and administrative complexity. This is followed by workers' position toward employers, and trust in the government and social security providers.

Figure 6.1 Theoretical framework: Workers' (and self-employed) level



6.2. Workers' lack of information about *Jamsostek*

The analysis shows different awareness levels between workers with an employment contract (formal workers) and informal workers, including the self-employed. Although most formal worker respondents were enrolled in *Jamsostek* programmes, they showed limited knowledge about the programmes. On the other hand, all informal worker and self-employed respondents admitted that they did not participate in *Jamsostek*. The findings below suggest that this condition was partly due to their lack of awareness of *Jamsostek* programmes.

6.2.1. Formal workers' awareness of *Jamsostek*

Most of the formal workers interviewed were *Jamsostek* participants, but they admitted they did not know much about this social insurance programme. Box 6.1 below captures their responses when asked how much they know about *Jamsostek*.

Box 6.1

"I don't know what benefit we could get. All I know is that my salary is being deducted a certain amount every month. I don't even know exactly the percentage of that deduction." (Andre, large/formal employee)

"We've never been informed what programmes we're getting. They [employer] only told us that they registered us to *Jamsostek* and gave us the membership card without further explanation. But I know about old-age benefits because they told me at the beginning that they would deduct my salary for this every month." (Ali, SME/formal employee)

"I know that my salary is being deducted for that. But I don't know about the calculation. All I know is that my employer transfers it to *BPJS Ketenagakerjaan*. That fund will be accumulated and can be claimed at pension age." (Dinda, large/formal employee)

"I'm aware that my salary is being deducted for *Jamsostek* contributions. But I'm not aware of what it is for. What I heard, it's for a pension or a kind of fund that I can withdraw at a particular time. I don't understand. I would just think of it as a kind of savings or investment that I don't really think about." (Nurul, large/formal employee)

"I'm relatively aware of *Jamsostek* but don't know it in much detail. I know that it's

deducted from my salary. I know that it includes insurance against the risk of accidents at the workplace.” (Maria, SME/formal employee)

From Box 6.1 above, we can see a similar pattern among respondents that they were aware of *Jamsostek* only because it has consequences for their payslip. Meanwhile, they did not know much about the contribution calculation or even the benefits of participating in *Jamsostek*.

However, they seemed to believe that they do not need in-depth knowledge of *Jamsostek* because all matters concerning *Jamsostek* are handled by specific work units within their company, such as the human resources department (HRD):

“I leave it to HRD. They take care of all of it.” (Adit, SME/formal employee)

Similarly, some respondents also felt that they did not know much about *Jamsostek* because they were confident that it was properly managed by their office:

“I only know that my office handles it for us, and I can claim the fund when having a certain condition like being unemployed or retired. That’s all I know. I don’t pay attention to the contribution rate or benefits. [...] I’m sure my office handles it well.” (Rini, large/formal employee)

It appears that there is a gap in knowledge between HRD personnel and other employees in terms of *Jamsostek*. Employees rely on the HRD because they think it is their job, and they must have been given better knowledge about it. Those comments were confirmed by some respondents who happened to be HRD personnel, such as Indra:

“I don’t think I would know about it if I wasn’t in the HR department.” (Indra, SME/formal employee)

Furthermore, most non-HRD respondents associate *Jamsostek* only with old-age benefits. In Box 6.1, some respondents, such as Ali, Dinda, and Nurul, implied that they were somewhat aware of old-age benefits. However, most respondents were only slightly aware of work-related accident benefits and did not even know the existence of the death benefit programme in which they are registered.

This unawareness about *Jamsostek* programmes does not necessarily imply that these formal employees felt that it was not crucial for them. During the interviews, all respondents were asked about the programmes’ benefits, and they were surprised that they had been taking the programmes for granted:

“I didn’t know that I’m being covered by programmes like death benefit and work-related accident benefits. But, now that I know about it, I would say that employees should protest to their employers if they don’t register them into *Jamsostek* programmes.” (Rini, large/formal employee)

Although these formal employees are registered in *Jamsostek*, they have only partial awareness of the programmes. Arguably, the awareness is no better with informal workers and the self-employed who are not registered yet. Their awareness level shall be explored more in section 6.2.2 below.

6.2.2. Awareness of informal workers and self-employed of *Jamsostek*

The awareness of *Jamsostek* among informal workers and the self-employed is varied but limited in general. Those who had experience of working as a formal employee might be aware of *Jamsostek*. Yati, an informal worker, was aware of

Jamsostek because she used to be a formal worker and had experience of claiming the old-age benefit when she resigned:

“I know about *Jamsostek* because I worked at a manufacturing company some years ago. I don’t know about the full programmes, but I know about the fund we can claim when we stop working.” (Yati, informal worker)

Meanwhile, many other informal workers and self-employed workers showed their lack of knowledge about the programmes. Dian and Yudi are both self-employed and own small businesses. They have never been approached and told about *Jamsostek* by any organisation. Yudi recalled:

“No one has ever come to this market and explained it [*Jamsostek*] to us. I don’t think other merchants know about it either.” (Yudi, self-employed)

Similarly, Dian commented:

“I don’t know anything about social security or *Jamsostek*. There has never been any of those in my entire working life. So, I don’t understand. It might be good for us. I might be interested. But I don’t know. I’ve never heard of it.” (Dian, self-employed)

Their lack of knowledge sometimes made these workers assume that they were excluded from the social security system. They felt that *Jamsostek* was not meant for them. Box 6.2 below is a snapshot of their thoughts on the issue.

Box 6.2

“I’ve heard a bit about social security. It’s for those who work for companies. Not for us. I’ve never heard workers like us [informal workers] join *Jamsostek*.”

(Janggo, informal worker)

“I don’t know the full programmes or the benefits. I’ve never heard that someone like me can join *Jamsostek*. I’m a very small business. I think it’s for bigger businesses.” (Arya, self-employed)

“I think everybody here doesn’t know it [*Jamsostek*] as well. What we know is only working – never been bothered to learn or find information about it. You know, we are just peasants. We are not those who work in the offices.”
(Wanto, informal worker)

However, although it has not been widely felt, the government has tried to approach informal and self-employed workers regarding the *Jamsostek* participation campaign. Some respondents reported that a government agency had approached them. Sari, a self-employed worker, vaguely remembered an event explaining the programmes:

“There was an event [*Jamsostek* campaign] [...] I remember almost all of us here came to the event. [...] [But] I couldn’t recall what the programmes were.” (Sari, self-employed)

Sari felt that the campaign event was insufficient to understand the programmes and lead them to participate. She mentioned that she might be interested if there were more follow-ups since then. Similarly, Maya, another self-employed worker, argued that such an event was not sufficient. To gain more coverage of informal workers, BPJS Ketenagakerjaan must be more proactive to reach them:

“Not all informal workers have access to these services [events]. Most of them doesn’t know the benefits or even what *Jamsostek* is all about. So, the

only way is they [BPJS Ketenagakerjaan] have to come, find us, and explain it to us.” (Maya, self-employed)

Efforts to make these informal workers become *Jamsostek* participants through education and campaigns did not always get a positive response. However, there were people such as Janggo that showed their interest in joining *Jamsostek* programmes after they learned more about the benefits and contributions:

“After knowing about the contribution rate, I might be interested. But I don’t know where to go, don’t know the process.” (Janggo, informal worker)

However, there are people like Wanto who have always been hesitant about joining *Jamsostek* programmes. He admitted that he lacked knowledge about it and never thought about having intangible products like social insurance:

“I don’t think we would participate. We’ve never thought about it, don’t understand, and hesitate. Even if someone comes trying to explain it, we might refuse them. I’m afraid it’s going to be difficult for us.” (Wanto, informal worker)

This section demonstrates that both formal and informal employees were mostly ignorant about *Jamsostek* programmes. In general, the knowledge of formal employees was limited to salary deductions and old-age benefit schemes. In contrast, informal workers lack *Jamsostek* knowledge since they had never been exposed to information about *Jamsostek* programmes. Although analysis seems to show that increased information may encourage workers to participate in *Jamsostek*, other factors, including their perceptions of risks and benefits as well as the complexity of the administrative procedure, prevent them from doing so.

6.3. Perspectives of risks and benefits of social insurance programmes

6.3.1. How workers saw the risks and how insurance would tackle it

Many respondents felt that they must have financial security when they are old. At least they can then make ends meet during the retirement period without relying on others. They described the importance of social security given their family experience, especially from their parents' generation. One respondent, Nurul, gave an example. She talked about her parents being retired civil servants and receiving a monthly pension. She said that although it is not much, at least it would help them meet their needs in old age and avoid them burdening the next generation too much.

A similar thing was expressed by another respondent, Ari. He comes from a family who works in the government, where they get a monthly pension. Seeing how the pension money meets his parents' needs, he wanted the same thing when entering old age:

“My parents, grandfather, and parents-in-law are retired government employees. They all get monthly pension payments. I think it's enough to make ends meet as long as you don't take care of children. It's enough for your own needs. I want to have that kind of security as well when I'm old.”
(Ari, large/formal employee)

Another respondent, Maria, shared a different situation with her parents. She said that her parents did not have sufficient funds when they entered retirement age, so they rely on their children. Maria felt she is part of a sandwich generation who have to take care of their parents' generation as well as their children. Thus, she felt social security is important so that she will not be too burdensome to the next generation:

“I think the essential programme is the old-age benefit. We are a sandwich generation which has to take care of our parents whilst taking care of our own children. Most of our parents don’t have enough savings for their old age. I don’t want to be in the same condition as my parents. I want to be independent financially when I’m old. [...] I know what it feels like as a sandwich generation. We need the savings so we won’t be a burden in the future.” (Maria, SME/formal employee)

Some other respondents had similar thoughts about this, including Dinda, a formal employee, and even self-employed workers like Sari. Dinda and Sari wanted their families, especially their children, to have financial security if they are no longer productive:

“I’m thinking of making ends meet when I get old and cannot work. I don’t want to rely on my children. They will have their own family to take care of.” (Sari, self-employed)

“I think it’s crucial for us. I have a husband and am soon to be a mother. I’m working and earning money at the moment. But I could someday lose my job or die. If that happens, my family can use the funds from *Jamsostek* so it won’t hurt our financial condition that much. At least for some time.” (Dinda, large/formal employee)

Another respondent, Ali, admitted that over time he had begun to think about his life in the future. He had just started thinking about the importance of social security for his old age. He had never thought about it before:

“When I just entered the working life, I thought the same way. I didn’t care about future savings or social security. I only looked at take-home pay. So, not all people see the necessity of having social security. But now, I have a

different view. I need to prepare myself for the future. I need to have social security.” (Ali, SME/formal employee)

However, not all respondents consider social security necessary. Some said that they are still far from imagining the benefits of social security for their life:

“I don’t have any thought yet about how the old-age benefit will benefit my family or me. It’s still far away for me. I mean, for now, I just leave the old-age fund alone. I’m not thinking about making it the primary resource for my old age.” (Indra, SME/formal employee)

Similarly, a young respondent mentioned that he had not thought about preparing for old age:

“We are still very young. What we know is working and playing. There is not the slightest thought about it [*Jamsostek*].” (Wanto, informal worker)

Although many people mentioned *Jamsostek* to be necessary, many of them considered that not all the programmes are essential. Some programmes were considered less critical. As we can see from the comments above, many are aware of the importance of the old-age benefit. However, this is not the case for other *Jamsostek* programmes like work-related accident and death benefits. Adit, for example, said that the old-age benefit is essential, but he did not see the importance of work-related accident benefits for him because his job does not involve high risks:

“I think it’s imperative to us [old-age benefit]. In my industry, people over 40 years of age are considered less productive. What if they cut us off when we’re at such an age? We must have a reserve fund or savings. But [work-related accident-benefit programme]? [...] It’s not a risky job. We don’t deal

with any chemicals or other dangerous materials.” (Adit, SME/formal employee)

Some others shared the same thoughts:

“For me, it’s crucial to have old-age benefits and pension programmes. There’s always other risks like work-related accidents, but I work mainly behind the computer. So, it’s not a high-risk job like a mining engineer or something.” (Nurul, large/formal employee)

“We are not in a high-risk industry. We’ve never had an accident or death case. Hopefully, it’ll never happen.” (Indra, SME/formal employee)

However, the respondents’ acceptance of work-related accident benefits was still better than another programme, namely death benefit. They saw that the work-related accident programme might provide benefits for them in the future, but this was not the case with the death benefit programme:

“I think the two most favourable programmes are old-age benefit and work-related accident benefit. The accident is more likely to happen, and the old-age benefit provides money for me when I need it. [...] Death benefit is the least favourable programme because it cannot be used by ourselves. It’s only for survivors.” (Arif, SME/formal employee)

Despite their varied opinions about the importance of some programmes compared to others, formal-worker respondents overall agreed that *Jamsostek* is necessary. However, more hesitance emerged when they were asked in the interview about registering for *Jamsostek* by themselves instead of being registered by the employer:

“Most people will have excuses for not participating in insurance or savings programmes. Too many excuses like not enough money, or preferring to

spend on other things and so on. They won't have any excuses if it's directly deducted from their wage." (Rizki, large/formal employee)

Their perception of hassle in the registration and other processes seemed sufficient to hold them back from participating:

"Just deduct it directly from my salary. I wouldn't do it [registration] voluntarily, I guess." (Ari, large/formal employee)

A more elaborated discussion about this can be seen in section 6.5, which describes how many of the respondents would be hesitant to participate if they themselves had to go through a series of bureaucratic procedures related to their participation.

6.3.2. Perceiving the adequacy of Jamsostek benefits

Those comments above imply that respondents considered *Jamsostek* necessary for their future. Nevertheless, many respondents assumed that the social insurance benefits, particularly the old-age benefit, would be insufficient to decently meet their living needs when they are retired or old. They believed that the old-age benefit would not be the primary source of their financial capability during retirement. They would still have to think about other resources such as investments or setting up businesses.

Continuing what Nurul said in subsection 6.3.1 above, based on her parents' experience, she also wanted to have a pension programme. However, she further said that her parents' pension funds were only sufficient for basic needs. The financial condition of her parents was greatly disturbed when facing other urgent

needs such as health costs or other additional living needs such as leisure. Therefore, she planned to find other sources of income to support her life in old age:

“Is it [old-age benefit] good enough? Well, it’s relative. I would say that it’s not enough for my old age. I consider *Jamsostek* as a mandatory saving. It’s not much but can do as an additional fund. I think I need to prepare a better investment or savings other than this.” (Nurul, large/formal employee)

Assuming that the pension fund from *Jamsostek* would be insufficient, Nurul carried on by saying that she would prefer to have another investment option that she thought would provide a more significant return in the future:

“I would prefer to work for a company that offers a higher salary even without *Jamsostek*. But it should be high enough that I can spare some money for investment and other insurance.” (Nurul, large/formal employee)

In the same way, another respondent, Maria, estimated that her accumulated old-age fund would not be sufficient for her future life and said that she was looking for other investment opportunities:

“Well, it might be insufficient. I estimate that in the next 20 years, for example, I will not get enough money for my old-age needs. That’s why I keep thinking of finding other investments. But I haven’t found one yet. Perhaps they can increase the portion of the contribution. Let’s say increase it to 5% of my salary per month. That’s better than spending it on unnecessary things.” (Maria, SME/formal employee)

Similar to what Nurul mentioned above, Arif did not mind taking other jobs that do not provide social security but offer a bigger salary, in the interest of having more profitable investments:

“I don’t mind working at a company that doesn’t register me in *Jamsostek* as long as it offers a bigger salary. I can use the bigger pay check to make other investments for my old age.” (Arif, SME/formal employee)

Some people, such as Nurul and Arif, would not bother to have *Jamsostek* programmes if they could have other investments that they thought would offer more returns. *Jamsostek* benefits, particularly the old-age benefit, was seen as less attractive compared to investment instruments or other insurance benefits:

“I think I wouldn’t register myself into *Jamsostek* if the company don’t do it. I prefer a commercial insurance.” (Adit, SME/formal employee)

However, many those who considered old-age benefits inadequate admitted that they did not know the amount of money they might get. As partly discussed in section 6.2, many respondents were unaware of the benefits they might get from their *Jamsostek* participation. They assumed that the amount would not be that much and that old-age benefit could only be seen as extra money. Some said that they did not bother to check the growth of their old-age benefit balance:

“I’m not really aware of the benefits that I will get. I don’t know if I will have a monthly pension payment or lump sum. I consider it as an additional fund that I will get someday. I don’t think it’s that much. They only deduct a small fraction of my monthly salary.” (Rini, large/formal employee)

To some extent, Arif shared the same thought. He did not bother to check his old-age fund. He even had a chance to claim the benefit from his previous employment but had not done so because he felt he did not need it yet:

“I have a [*Jamsostek*] membership card from my previous job. I haven’t done anything yet with it. I still have the card but never thought whether I still have the money in it. I don’t really care. I’ve never checked the fund.” (Arif, SME/formal employee)

Many respondents also said they did not pay much attention to the growth of their old-age benefit funds. They knew that the funds were accumulating but did not want to think about it too much until, at some point, they would receive it as surprise money:

“I just leave it to them [BPJS Ketenagakerjaan]. I’ll look at it when it’s time for claiming. I’m not bothered with how much money is in there. It’s been accumulated, I believe. They deduct it from my salary every month. I don’t know the fund balance, honestly. Just leave it until it’s time for it.” (Andre, large/formal employee)

“I’ve never checked my balance yet. I don’t want to overthink it. Let’s say it’s a bonus that we can get when we retire. I don’t need the money anytime soon.” (Adit, SME/formal employee)

“I don’t really want to follow the fund growth. I prefer to leave it alone, then someday it will be like a jackpot or surprise money.” (Rizki, large/formal employee)

6.3.3. The flexibility of old-age benefit withdrawal

As is clear from the responses above, many participants stated that they did not think about the old-age benefit and did not expect a significant amount from it. However, when asked about the policy of claiming at a certain time, most of them wanted the ability to claim old-age benefits without strictly waiting until they reach a certain age.

Indra, for example, like the others, did not think about how much old-age benefit funds he had and preferred to prepare another reserve fund. However, he would like to have the opportunity to withdraw his old-age funds whenever he stops working:

“I resigned from my previous job and haven’t withdrawn the money yet. I just leave it there and let it grow. I don’t need it yet. [...] For me, it’s an additional fund that I can get when I need it someday, apart from a reserve fund that I’ve been preparing. [...] I mean, personally I see it as surprise money. I mean, I don’t expect it to be too much. But it’ll be helpful someday when I resign or get laid off. It’s more like a safety net.” (Indra, SME/formal employee)

Almost all registered respondents wanted flexibility in claiming old-age benefits. Even though they felt they did not need the funds soon, they wanted the withdrawal of old-age benefits not to be limited to only when entering old age. So often the old-age benefit is treated as a safety net for unemployment:

“I will claim my old-age benefit fund whenever I resign or move to another company. I prefer the old-age benefit policy like it is now. We can withdraw the money whenever we stop working, for any reason. Each of us has our own urgency.” (Ari, large/formal employee)

“I think it’s better like this. We can withdraw the money when we resign or are terminated from work. It helps a lot for those who lose their jobs. Not all of them have an emergency fund. They need the money for the critical period of not having a job. They probably can even use the funds for investment that would gain more benefit or revenue.” (Ali, SME employee)

“I think the current policy is good. I can take the money any time after I stop working or just leave it there. It’s flexible. I can take it if I’m in urgent need. If it’s strictly for old-age, we might not enjoy it. Who can tell that we will reach a certain old age?” (Arif, SME/formal employee)

Since the current policy allows participants to withdraw their old-age benefit right after quitting their job, the respondents prefer that the government do not change it to only being withdrawn when reaching old age. One respondent said that the public would not accept the change easily because it would limit their opportunity to get the money sooner:

“I think people will try to get what they can get. If there is an opportunity to take the money sooner, why not?” (Ajie, SME/formal employee)

Although, there is a minor voice that old-age benefit should be intended for the old-age period:

“What I know, it’s the fund for old-age. It can be withdrawn when we retire. But I don’t know if it can be withdrawn sooner. But I prefer to claim it at old age. I consider it a very long-term investment. So, I will not be a burden to anyone else when I’m old.” (Adit, SME/formal employee)

6.4. Financial capability and preferences

6.4.1. Workers’ acceptance of company’s inability to pay the contribution

Financial issues almost always emerged in all interviews when respondents were asked why some companies do not register their employees in *Jamsostek*. Most respondents thought that the main reason for companies not participating was because of their financial conditions. One interviewee commented:

“I don’t think there are other reasons than financial consideration. It’s either because companies don’t have enough money or want more money. I think

they are all aware that it's mandatory. So, for them, it's not about an awareness issue." (Ari, large/formal employee)

Furthermore, many argued that *Jamsostek* participation is seen as an expense for companies. Hence, they assumed small companies would find it more difficult financially to provide social security for their employees. This also applies to informal businesses, which are seen as having smaller financial capacity. Thus, one respondent argued that it is challenging to expect informal employers to contribute to *Jamsostek* programmes:

"I think it's more feasible for formal companies. It will be more difficult for informal businesses because, usually, they have smaller financial capabilities." (Andre, large/formal employee)

These workers perceived that the financial condition of companies was the main reason for not participating in *Jamsostek*. Some of them even accepted that their company would not register them. However, Chapter 5 shows that financial condition was not always the reason for employers' non-participation. For formal companies, their reason for participating was more about compliance with business regulations. Meanwhile, informal businesses often did not mind financially but mentioned several other reasons, such as administrative/bureaucratic difficulties and social pressure.

6.4.2. Unwillingness to pay outweighs the ability to pay

The majority of formal employee respondents were *Jamsostek* participants, and they did not mind the salary deduction for the *Jamsostek* contribution payment. On the other hand, the discussion about contribution affordability was livelier in the interviews with informal workers and the self-employed. Interestingly, when these

workers were asked about their willingness to join the *Jamsostek* programmes, they immediately thought it must be expensive so they could not afford it. However, when they got a rough idea of the actual contribution level, most said the rate was still affordable.

Yudi, a self-employed worker, initially felt sceptical about participating in *Jamsostek* because he equated the contribution level with other insurance schemes that he knew of, which would not be within his budget:

“I’m a small trader. It’s hard for me to join an insurance programme. What I know, all of my family members must be registered, and each is charged with a premium. Thus, the total premium that I must pay will be too expensive. It is approximately 100 thousand Rupiahs per person, and there are five people in the family. So, I must pay 500 thousand per month. I don’t want to join.”
(Yudi, self-employed)

There were similar responses from other informal and self-employed workers that reflected the sense of being financially incapable of paying the *Jamsostek* contribution. At the beginning of the interview, most of them did not know much about *Jamsostek*, but they immediately assumed that the insurance programme would take up a large portion of their income:

“[...] but our wage is too low. It will even be less if it’s deducted for *Jamsostek*.” (Yati, informal worker)

In the interviews, all respondents asked about the actual amount they would be paying if they registered themselves in *Jamsostek* programmes. The result was that

almost all informal workers and self-employed respondents admitted that they could afford it. They had not expected that it would be within their ability to pay.

However, the affordability did not promptly stimulate their willingness to enrol for *Jamsostek*. While some respondents showed more interest in joining the programmes, others still felt hesitant for various reasons. All the respondents whose comments are presented in Box 6.3 below said that the contribution level is affordable. Nevertheless, these comments imply that there are reasons for their hesitance in enrolling themselves in *Jamsostek* programmes.

Box 6.3

“It’s affordable. But I don’t know. I just don’t understand it. I’m not a well-educated person.” (Wanto, informal worker)

“It’s still affordable for us. It’s just once a month. It’s more about the right approach. It’s about trust in the system.” (Maya, self-employed)

“We want to [enrol in *Jamsostek*]. But most of us said that we don’t want to pay for it. We want the government or other parties to pay the contribution for us. Personally, I don’t mind paying, but I must go along with others. They might see it as an unnecessary expense. There are still more things to pay for.” (Sari, self-employed)

“We don’t mind joining *Jamsostek* with that level of contribution. It’s still affordable. But we don’t want any increase in the contribution.” (Yudi, self-employed)

In general, respondents still felt uncertain about how *Jamsostek* is managed. The respondents in Box 6.3 above were unsure whether they could trust the system and

were unsure if the contribution would increase once they joined. Hence, the feeling of uncertainty overrode the affordability issues.

However, not everyone saw the contribution as affordable. One respondent, Dian, said that her financial condition was so uncertain that she did not want to make any new commitments. She added that she was happy enough getting the free healthcare programme provided by the government:

“That’s still a considerable amount for me. Our income is uncertain. We are not employees who earn a certain amount of money every month. I sometimes cannot go to trade. In that condition, I won’t make any money. I’m afraid I cannot consistently pay the contribution because my income is uncertain. Once I’m registered, I must bear it constantly for the rest of my life. I don’t think I can do that. Last year, I was ill for about seven months. I didn’t earn money during that period. It was hard even to provide enough food for the family [...].

“[...] I’ve had so many monthly bills like house rent. I don’t think I can add more monthly expenses. I get free healthcare from the government, and I think it’s good enough for me. But I’d be grateful if the government paid for our *Jamsostek* as well. I don’t mind dealing with any bureaucracy as long as I don’t have to pay for it.” (Dian, self-employed)

Although most said they could afford it, there were also issues related to the ability to pay for informal workers and small traders. Furthermore, the comments in this subsection imply that there was not only the issue of the ability to pay but also the issue of willingness to pay *Jamsostek* contributions. It seems that even though most respondents admitted that the contribution rate was within their capacity, this did not necessarily relate to their willingness to pay.

6.4.3. Saving preferences

In the previous subsection, many respondents felt okay with the contribution level. However, the contribution level in question was for minimum programmes consisting of work-related accident benefits and death benefits. Meanwhile, when asked further about the participation in old-age benefit, many of them felt hesitant.

To some extent, the old-age benefit programme is a savings programme with a predetermined percentage of monthly contribution and specific conditions for withdrawal. Apart from the higher contribution than the minimum programme, the more significant concern for the respondents was that they were afraid of not being able to make consistent payments and disliked the inflexibility in terms of accessing or withdrawing the accumulated funds.

One of the informal worker respondents, Janggo, said he doubted his ability to consistently pay the saving contribution to the old-age benefit programme because he usually saves whenever he wants and has spare money. He went on to say that he prefers bank savings to the old-age benefit because banks are more convenient in terms of flexibility of saving and withdrawal. Furthermore, he added:

“I prefer banks for savings, not the *Jamsostek* programme. Because bank savings are more flexible: I can withdraw my money at any time, at cash machines. I assume that is not the case with the *Jamsostek* programme. I guess there will be certain conditions that allow us to withdraw our savings fund. We have uncertain needs, incidental needs. So, we need flexible withdrawal. Most of the time, our money is only enough for daily needs. We may need to use our savings anytime.” (Janggo, informal worker)

Janggo's views were echoed by another respondent, Yudi. He said that he could not decide whether he wanted to join the old-age benefit programme because he did not like it being determined how much and when he had to save. Yudi said that he was interested in registering for the minimum programmes but not the old-age benefit:

"I prefer to have savings on my own. I keep it at home, not even in the banks. It is flexible, so I can put how much money I want to at any time depending on how much I can save. I never set a target of how much I should save, whether per day, week or month. I can just save it any time I want. It will be a headache if I'm obliged to save a certain amount at a particular time." (Yudi, self-employed)

Meanwhile, some other respondents mentioned that they still could afford the old-age benefit contribution. Arya, for example, said that he always saved some money daily, so he did not mind the monthly contribution of the old-age benefit:

"I think I can still afford the saving programmes, the old-age benefits. Currently, I'm saving 20 thousand Rupiahs per day. [...] I think many people will get interested in the saving programme [old-age benefit]. Even if the withdrawal is not flexible, we can still save around 30 thousand per month. It's a great programme, at least for me. There're no charges, and we can even get some interest." (Arya, self-employed)

Similarly, another respondent, Sari, also agreed that the old-age contribution is still affordable for her. She had always wanted to have a savings programme for the future, but found that she could not afford the offers from commercial insurance companies. She was happy knowing that she could enrol on the old-age benefit programme from *Jamsostek*:

“It’s essential to have savings. I want to enrol in the old-age benefit programme. I cannot afford insurance and savings programmes from commercial companies. It’s too expensive. I’m interested in old-age benefit from BPJS Ketenagakerjaan.” (Sari, self-employed)

6.5. Bureaucracy issues

6.5.1. Perceiving difficulties of government bureaucracy

The worker respondents also highlighted bureaucratic issues as one of their concerns. Many respondents admitted that they had never gone through any administrative processes for *Jamsostek* services themselves; yet they anticipated that any services provided by the government agency would be very bureaucratic. For instance, although most formal worker respondents had never needed to deal with registration and reporting procedures, they still foresee potential bureaucratic difficulties in claiming. As one respondent said:

“Since we are talking about government management, I imagine a complex bureaucracy. Although I’ve never dealt with it myself, honestly.” (Rini, large/formal employee)

Nurul, another formal employee, shared similar thoughts about government bureaucracy:

“I’m sceptical about Indonesian bureaucracy. I’ve never been to their office [BPJS Ketenagakerjaan], actually. But I imagine that it would be too much hassle, too much bureaucracy. It would be unpleasant.” (Nurul, large/formal employee)

The scepticism about government bureaucracy is even more discouraging for informal workers because they need to go through all the processes (registration, reporting, payment, and claiming) themselves. As Nurul shared above, although some respondents had not had any particular experience with *Jamsostek*, they associated the services with their experiences with other government services. They assumed that it would be the same case with the services provided by BPJS Ketenagakerjaan as the *Jamsostek* provider:

“I think government service is slow and sometimes gives us a hard time. Sometimes they don’t respect us, ignore us, and keep us waiting for no reason. I have experience when getting my national ID card. It took about six months until I got it. The official service standard is only two days. For certain people, maybe it’s the case. But not for ordinary people like us. It’s not what happens in reality.” (Janggo, informal worker)

Similarly, another respondent related it with her experience dealing with the tedious process of healthcare services:

“I have an experience of getting the KIS. I went to their office [BPJS Kesehatan]. It was a pretty lengthy process. I went there at 8 in the morning and finished it around 2 pm. [...] From that experience, I can imagine spending a long time only for registration at BPJS Ketenagakerjaan. I can imagine the long queue.” (Sari, self-employed)

Some respondents might relate the healthcare social security with employment social security (*Jamsostek*) since they both bear the name ‘social security’. One respondent, Yudi, for example, believed that the procedures for any social security services are exhausting, such that he would prefer to use his own money in case any

risks occurred. He shared his unpleasant experience of using healthcare social security services. His wife had an emergency condition and was admitted to the hospital. But during that emergency he had to deal with the complex procedure and unpleasant service. He ended up taking a common route – paying the hospital costs out of his pocket:

“I don’t have any social security, even healthcare social security. I don’t believe in the system. Too much procedure. It’s a waste of time. The most important thing is to have our own emergency fund, cash in hand. So it won’t take too much hassle if we need to get to the hospital, for example. We just bear the risk ourselves.” (Yudi, self-employed)

Some informal worker respondents seemed to have a perception that discourages them from participating in *Jamsostek* programmes. One informal worker, Yati, plainly stated that she does not like to deal with any bureaucratic matter. She even mentioned that she would not register her employees if she had her own business someday:

“If one day I open my own business, I don’t think I will register my employees in *Jamsostek*. It’s a hassle. I will tell my employees to register themselves if they want to.” (Yati, informal worker)

They also indicated their hesitancy to go to the BPJS Ketenagakerjaan office to take care of the necessary administration such as registration, payment, and claims. It was either because of the time-consuming process or the potential for loss of income. They believed they would consider participating if they could do it without going to *Jamsostek*’s office:

“We want someone to come and take care of everything. But if we are asked to go there, I don’t think any of us are willing to do that. I imagine that it will be hectic in their office. [...] I’m willing to pay as long as there’s someone to organise it. I mean, we can register and pay it collectively.” (Sari, self-employed)

Another self-employed respondent echoed this concern:

“If we must come to their office, it means we must close our business for one day. Hence, we don’t earn money for the day. That’s one consideration. [...] For small traders like me, closing a business, even for one day, means losing an income opportunity.” (Arya, self-employed)

Indeed, most respondents said that they had never dealt directly with the *Jamsostek* administration. However, a minority of them had experienced this. One example is Maya, who used to be a formal worker. She has experienced how strict the procedure is when claiming benefits after she resigned from work. Now, having her own informal business, she felt that the procedure would be even more challenging to implement for her:

“I had a claiming experience when I resigned from a manufacturing company. The process was quite tricky. I mean, it required some documents, and we must provide them instantly. If it’s hard enough for formal employees, I assume it’ll be harder for self-employed workers like me. I mean, I don’t issue official documents or letters, then what am I going to submit for claiming my fund someday?” (Maya, self-employed)

She was hesitant to join the *Jamsostek* programme with her current work condition. However, she might consider participation if there was someone reliable to contact at any time if there was a problem with her participation:

“It is vital to assure us that it will be easy for us in terms of registering, claiming, or any other administrative procedures. If possible, please send an officer to explain it to us, someone we can rely on or contact anytime.” (Maya, self-employed)

6.5.2. *Relying on employers to handle administration of Jamsostek*

The majority of formal worker respondents are registered in the *Jamsostek* programmes and have employers who take care of the administration. As shown in subsection 6.2.1 above, this also makes formal workers less aware of *Jamsostek* programmes and services. Furthermore, when they were asked what they would do if their employer did not handle their *Jamsostek* registration, these formal workers objected to dealing with it themselves. In fact, some said that they would not have registered themselves if the company had not registered them:

“I don’t think I would register myself if my employer didn’t do it. It’s more comfortable if they handle all of it.” (Maria, SME/formal employee)

In the same way, Nurul, another formal worker respondent, said that she would be unlikely to register herself into the *Jamsostek* programmes if she had to deal with the administration herself:

“I’m pretty sure for 100 per cent that if my employer didn’t register me [in *Jamsostek*], I would not care to register for it myself. I would consider other insurance companies like Allianz, Prudential or others. So, it’s okay for me as long as my employer handles my *Jamsostek* registration and administration.” (Nurul, large/formal employee)

Nurul went on to say that if it were mandatory for her to be registered, she was better off dealing with her employer by protesting for her *Jamsostek* participation rather than going through the bureaucracy procedure herself.

Formal workers enjoy the convenience of not having to deal with *Jamsostek* administrative procedures, such that they cannot imagine having to do it themselves. They rely on their employers to handle *Jamsostek's* administration. One respondent stated:

“I want employers to handle the *Jamsostek* administration. I think it's a hassle if I must register myself.” (Arif, SME/formal employee)

The reliance on employers did not only emerge in interviews with formal workers. Informal workers also felt the same way. They preferred to have everything taken care of by their employer. They choose not to register themselves if their employer does not register them. As one of the informal workers mentioned:

“If our boss suggests we enrol by ourselves, I won't do it. It needs time, travel costs, not to mention the bureaucracy hassle and the queue. It wastes a lot of time. We don't want to come to their office. But it's okay if they [BPJS Ketenagakerjaan] come to us and sort all the administration stuff.” (Yati, informal worker)

6.6. Employees' positioning in relation to employers

Most of the formal workers in this study were registered in the *Jamsostek* programmes. But in the interview, they were asked what they would have done if their company had not enrolled them in the programmes. The responses were varied. Many responded that they were not in a good position with their employer to be able

to make demands about such a matter. This feeling of inferiority was also echoed by respondents from informal businesses.

6.6.1. Employee's inferior position to the employer

Regardless of their employment status, formal or informal workers, many respondents indicated that they felt inferior to their employers, including their position on the employers' decision to participate in *Jamsostek*. Employees felt that their employers had more power in determining the decision. Rizki, a formal worker, was asked his opinion about workers who were not enrolled in the programmes. Although he showed concern for them, he said he would choose to be silent if he was in their position:

“Since it's mandatory, they [unregistered employees] should protest. But I don't think most employees are in a good position to do that. If I'm not registered, I think I'd just do nothing about it, although I know it's compulsory for the employer. I guess I would not speak up.” (Rizki, large/formal employee)

His silence was because he did not want to challenge the company that had provided him with a livelihood. He did not want to ruin his relationship with his employer as it would make his life harder. This concern was also recounted by another respondent, Arif. He was not enrolled in the *Jamsostek* programmes, although he was a formal employee. But he felt that he was not in a good position to challenge his employer because he needed the job more than the job needed him:

“I don't have a bargaining position. I don't know where to go and report it. If I had complained directly to my employer, they could've just let me leave and

found another worker. I can't do anything. I need a job. I need income." (Arif, SME/formal employee)

Those views above were also expressed by respondents that are informally employed. They wanted to participate in *Jamsostek* programmes and hoped their employers would register them. But they acknowledged that they had not seen any informal employers that registered their workers. Being unregistered by their employers, they tried to justify their bosses' decision not to participate in the programmes. As one interviewee, Yati, put it:

"I'd like to [be enrolled with *Jamsostek*]. But I haven't met any boss that would enrol us. Maybe because of the complex administration process. It is different with formal companies that usually have staff for handling this." (Yati, informal worker)

Another informal worker, Janggo, also hoped to be registered in the programmes. But he wondered whether the nature of the informal job, and the uncertain employment period, made it more troublesome for employers to register them. He commented:

"I hope informal traders like me could have *Jamsostek*. Life is full of uncertainty. We could get into an accident at any time. Social security could help. But, most likely, bosses don't enrol us. We are casual workers. We could change bosses anytime. I guess the *Jamsostek* programme is quite hard to implement for us." (Janggo, informal worker)

Janggo added that due to having no formal employment contract, informal workers rely heavily upon their employers. They could not expect the employers to provide

them with employment benefits such as social security or, particularly, *Jamsostek*. He added:

“It depends on the boss. We have no formal contracts. Our employment depends on our boss. He can terminate us at any time he wants. So, it’s not clear how long we can stay working here. Maybe that’s why we don’t have social security.” (Janggo, informal worker)

6.6.2. *Challenging the employer for Jamsostek participation*

While some respondents above showed their acceptance at being unregistered in *Jamsostek* programmes, others showed some ways of challenging the employers. A few of them eagerly said they would directly complain to their employers if they were not registered. One respondent, Nia, argued that *Jamsostek* participation is an employee right that every employee should demand from their employer:

“I would protest. It’s a mandatory government programme. So, companies must register their employees. Any employee that understands the law would demand their rights.” (Nia, SME/formal employee)

Instead of complaining directly to the employers, some respondents argued that it could be channelled through workers’ unions. However, the power of unions may differ between companies. Ari and Andre, both formal workers in big companies, shared different opinions of their unions:

“I would protest to my employer. I guess we can do it through our union. I think we have a strong union here so that it can be done.” (Ari, large/formal employee)

“We have a union as a channel for challenging employers. But, honestly, the union is more inclined to the management [employer]. They are unlikely to fight for our rights if it’s unpleasant for the management. They are too afraid of our general manager. So, I hope your research will give better conditions to employees as a whole.” (Andre, large/formal employee)

Sometimes, the complaints against employers lead to positive results, but sometimes it is not being followed up by the companies. In the comments below, Ajie shared both experiences at his previous and current companies:

“I worked at a non-compliant company, where only a part of the employees enrolled [into *Jamsostek*]. Even worse, they deducted the employees’ salary but didn’t enrol them. [...] The employees complained about it, but nothing happened.” (Ajie, SME/formal employee)

“They didn’t enrol us [into *Jamsostek*]. But then we complained to the management. [...] Fortunately, they agreed to register us.” (Ajie, SME/formal employee)

The comments by Ari, Andre, and Ajie above imply that the power relation between employees and their employers matters in shaping employers’ decisions, particularly in *Jamsostek* participation. An effective union might accommodate the employees’ interests and communicate them to the company’s decision-makers. However, the decision is still in the hands of the employer. As shared by Ajie above, communicating concerns to two different employers had two different results: one with no follow-up to the complaint and another with a positive result.

6.6.3. *Expecting enforcement by the government*

As shown by some of the comments in section 6.5.1 above, many people did not bother to demand *Jamsostek* participation if they were not registered with the programmes, although section 6.5.2 shows that some others did attempt to file their complaints. However, they still surrendered to the employer's decision. Some respondents realised that their bargaining position is not strong enough, so they expect the government or BPJS Ketenagakerjaan, as the administrator, to enforce the law. As a respondent, Maria expressed her concern:

“Individuals [employees] don't have the power. There must be a stronger instrument to force the company. I'm sure companies are capable of paying for the contribution. It's just about their good faith.” (Maria, SME/formal employee)

One interviewee, Andre, suggested that it is the duty of *BPJS Ketenagakerjaan* as the administrator to take a more proactive approach to non-compliant companies. As he put it:

“BPJS Ketenagakerjaan should enforce participation so it won't be doing a disservice to employees. Indeed, we work for the company and follow their policies, but please make sure the company provides the benefit properly. BPJS Ketenagakerjaan should be more proactive.” (Andre, large/formal employee)

Other respondents added that sanctions must be imposed on non-compliant companies because that is one of the main reasons why companies do not register their employees:

“Non-compliant companies deserve sanctions because it's the employees' right. I know that social security benefits go to employees and their families,

not companies. So, those ignorant companies must be enforced by the law.”
(Wahyu, large/formal employee)

6.7. Trust issues

For formal workers, the participation decision is mainly in the hands of employers. Even if there's a trust issue, it does not determine their participation. However, they provided some interesting opinions on that matter. On the other hand, for informal workers and the self-employed, the participation decision lies in their own hands. Thus, trust issues would contribute to their decision.

On that note, this section shows how respondents discussed the pros and cons of *Jamsostek* management between the government agency and the non-government (private) sector. It also highlights the importance of gaining trust from informal workers and the self-employed.

6.7.1. Management by the government vs non-government

In almost every interview there was a discussion about trust in the government in organising *Jamsostek* programmes. The discussion revolved around the pros and cons of government management and also a comparison to management by non-government parties. Many respondents said they trusted the government more, while a few others were more inclined toward the private sector.

Those who prefer government management argued some reasons for putting more trust in the government than the private sector. One of the main reasons for trusting

the government is that the government is more likely to guarantee fund sustainability in the long term compared to insurance companies:

“I feel more secure if a government agency manages it. Private companies have the possibility of default. So one day, when I get old, the insurance company may not exist anymore. It’s different with BPJS Ketenagakerjaan, which the government guarantees.” (Ali, SME/formal employee)

They also believe that it is the government’s responsibility rather than letting private companies manage social security programmes:

“I believe social security should be managed by the state. It’s the state’s responsibility to manage it for the welfare of its people.” (Ajie, SME/formal employee)

Government management was also considered to be exposed to many monitoring schemes, which makes it more accountable:

“I think it’s better to be managed by the government. I don’t have any specific reasons for that. But I think it’s because many parties constantly monitor government management. So I have more trust in the government [to manage *Jamsostek*].” (Arif, SME/formal employee)

Despite much support for government management, there are still doubts due to several corruption cases involving state-owned insurance companies that occurred around the time of data collection:

“For long-term management, I trust the government more [than private companies]. Even though it’s not guaranteed. I mean, look at the recent fraud cases at Jiwasraya and ASABRI. There is no fully guaranteed government or

private management. But I still prefer government management for a long-term investment.” (Rini, large/formal employee)

These scandals hurt public trust in government management. Since the cases involved state-owned insurance companies, they might also be associated with *Jamsostek*, which, to some extent, has operations of a similar nature:

“I was a bit concerned about the case of Jiwasraya. It’s a state-owned company but it’s not managed professionally. I assume that the private sector can be more professional.” (Maria, SME/formal employee)

“I have more confidence in the private sector. It [*Jamsostek*] should be managed by the private sector. I’m just being honest. The state has a lot of corruption. It’s Indonesia. Look at cases like Jiwasraya and others. It’s different with private companies. They are more professional. So, it’s better to be managed by the private sector. There are many corruptors in the government.” (Andre, large/formal employee)

Meanwhile, some people did not mind who managed *Jamsostek*, whether government or the private sector. Both parties have the same opportunity to work it well or commit fraud in managing funds; thus, there is no visible political motivation to determine who should manage *Jamsostek* in Indonesia:

“I don’t mind if the government or private sector manage it. I don’t have any vested interest. Just don’t steal the money. Whoever can steal the money, whether it’s the government employees or those from commercial companies. Nobody can guarantee it. You cannot say that private or commercial companies will never steal your money. There are fraud cases in corporations.” (Wahyu, large/formal employee)

One more thing that emerged from the discussion comparing government and private management is in terms of fund management. Those who supported the private sector usually thought that private companies offer a better investment return:

“In my opinion, social security should be managed by the private sector. I believe in the stereotype that the private sector is more professional. The private sector is more accountable in managing funds. [...] I have another savings and pension programme from a financial company. It gives a more significant return compared to *Jamsostek's*.” (Ari, large/formal employee)

One of the interviewees offered a middle way for *Jamsostek* management:

“The main good thing about government management is that it will protect the public interest in the long term with less focus on profitability. But the private sector might manage the fund better. Maybe the government should collaborate with the private, where the government provide the regulations and the private sector manage the fund.” (Maria, SME/formal employee)

6.7.2. *Gaining trust from informal workers and the self-employed*

Informal and self-employed workers are not necessarily included in the *Jamsostek* programmes by their employers. Hence, they have to carry out all the procedures themselves – from registration to regular payment. It requires a commitment, one of which is based on trust in the *Jamsostek* administrator. Therefore, trust is one of the first keys to making them interested in this programme.

Respondents gave some examples of the influence of trust on their actions. An example was given by Wanto, an informal worker. In some of his comments in the previous sections, Wanto showed his reluctance to join the social security programmes. He said that he did not know anything about this programme and had

not thought of joining this kind of programme. However, he said that he currently had savings that were handed over to his employer. It turns out that the employer is a family member, who he could fully trust:

“I entrusted my money to my boss, which is my brother actually. He keeps the records. Other employees in here do the same thing.” (Wanto, informal worker)

Furthermore, he shared that he had never done this while working elsewhere. Previously he had worked in four different places and also as an informal worker. However, he had never entrusted his money to be kept by his previous employers. He said that it was because he could not entrust money to just anyone. This implies how vital trust is to him in determining whom he trust his money.

In other interviews, respondents who worked in informal businesses told of experiences of fraud cases within their working environment. They were afraid it could be happen with *Jamsostek* membership. One respondent, Yudi, told of an unpleasant experience when he and other traders agreed to raise a kind of provision fund that would be given to its members when they experienced certain conditions. The organisers ended up embezzling the collected fund. He said that he wanted to have some kind of insurance but was disappointed several times, including his story about the health insurance programme mentioned in section 6.5.1 above. This makes him reluctant to join such a programme. However, he felt that he would trust administration by the government more than by other parties.

Furthermore, he had also heard that many people lose their money when joining insurance programmes offered by private insurance companies, which further emphasised that the government might be more trusted than private companies:

“I want to have insurance guaranteed by the government. There are many scams from insurance companies. I heard some people lost their money in this.” (Yudi, self-employed)

However, Maya, another interviewee, shared her experience, specifically about her participation in the *Jamsostek* programmes. She said that someone from an agency enrolled her and some friends in the programmes. She assumed that it was a government initiative to introduce *Jamsostek* to them. The agency paid the first month of contribution, expecting Maya and her friends to continue paying afterwards. Some of them paid the contribution for the next three months through a bank. But they experienced a problem – the payment was not recognised or recorded in the *Jamsostek* system. This broke their trust, which in the end caused them to stop paying. Several times BPJS Ketenagakerjaan tried to contact them to resolve this problem, but Maya said that the approach they were using was not appropriate. She said that to restore their trust, BPJS Ketenagakerjaan should come to them and solve the problem instead of telling them to go to their office:

“The only way to restore our trust is by coming here and explaining it to us. Don’t expect us to go to their office. Indeed, we need those programmes, but it’s hard to trust them after having that experience. They asked me to come to their office and promised to explain everything. Then they expected me to explain it to my colleagues here. There’s no way I would do that. The pressure will be on me.” (Maya, self-employed)

The reluctance to go to the BPJS Ketenagakerjaan office was also expressed by Arya, another self-employed worker. He suggested that the approach should start in the local environment. Furthermore, Arya argued that it is hard to trust people instantly and most people would put more trust in someone they know or are familiar with, such as their community leader or other trusted figures:

“We wouldn’t immediately believe it, even when someone claims that he is an official officer [from BPJS Ketenagakerjaan], if he was not known to us. There are many scams nowadays, even those with attributes, ID cards, or fake official letters.” (Arya, self-employed)

Overall, Arya thought that *Jamsostek* might get more interest from informal workers if BPJS Ketenagakerjaan could gain their trust. With that trust, he felt that he and his friends would be more open to being approached.

6.8. Summary

This chapter focuses on exploring workers’ perspectives, both those with formal contracts and those who work informally, including informal self-employed workers. The discussions in this chapter are organised into *six* themes: awareness of *Jamsostek*; perspectives on risks and benefits of social insurance; financial ability and preferences; bureaucracy and administrative process issues; employees’ positioning in relation to employers; and trust issues.

There are different awareness levels between formal and informal workers. Most formal worker respondents knew about *Jamsostek* but only because of the monthly salary deduction for the contribution. However, they showed limited knowledge about the programmes. On the other hand, informal worker respondents had had minimal

exposure to *Jamsostek*. As expected, they showed poor knowledge and understanding of the programmes.

A few of the respondents had not given any thought to insuring themselves against future social risks. Nevertheless, most respondents said that social insurance is an essential matter for the future. However, their primary focus of the social insurance was the old-age benefit programme. Some even argued that death insurance might be unnecessary because of the low risk of death during their productive age and they would not enjoy the benefits.

The issue of financial ability also arose in the study. Financial ability was not only discussed in terms of personal capability but also at the company level. Many respondents could accept firms' poor financial condition as the reason for not participating, but others argued the opposite. At the personal level, formal worker respondents did not mind the contribution portion deducted from their salary. On the other hand, the informal workers initially considered a *Jamsostek* contribution an expensive cost that they would not be able to afford. But when given a general explanation, they said it was still within their means. However, most of them were hesitant to join the old-age benefit programme. They were concerned about the flexibility of contribution payment and fund withdrawal.

The respondents also highlighted bureaucratic issues as being a concern for them. They anticipated that any services provided by the government agency would be very bureaucratic. With this assumption in mind, both formal and informal workers prefer to rely more on their employers to handle *Jamsostek* administrative matters. Whilst informal workers were expected to go through all the processes by themselves, they

hoped that their employer or at least someone else could manage the administrative processes, starting from registration to payment and even the claim process, without going through the process themselves.

The next emerging theme is about employees' positioning in relation to employers. Regardless of their employment status, many respondents indicated that they are inferior to their employers and unable to influence employers' decisions about *Jamsostek* participation. Employees felt that their employers had more power in determining the decision. While a few respondents might consider making a complaint if they were not registered, many respondents said that they would not do anything about it, leaving it to the employer to decide and then going along with the employer's decision. Since these respondents felt that they had low power compared with the employers, they expected the government authorities to exert their power and enforce *Jamsostek* participation.

There were some discussions in the interviews about the advantages and disadvantages of social insurance management both by government agencies and non-government parties. State management is generally considered to be better in terms of maintaining the sustainability of programme implementation. The state is seen as being able to better guarantee the continuity of providing benefits. However, state management is also seen as being more vulnerable to corruption. In addition, the ability of government agencies to manage funds is considered to be inferior to the private sector in terms of investment returns.

For formal workers, the participation decision was mainly in the hands of employers. Even if there is a trust issue, it did not affect determine their participation. But for

informal workers and the self-employed, the participation decision lies in their own hands. Thus, gaining trust from informal and self-employed workers would likely encourage them to participate.

The themes discussed in this chapter capture the perspectives of both formal contracted employees and informal workers. This chapter is expected to contribute to understanding how workers think about social insurance participation, particularly *Jamsostek* participation. Together with the previous chapter, which discusses employers' perspectives, it is expected to provide an important contribution to the literature and the improvement of the Indonesian social security system.

CHAPTER 7. POLICYMAKERS' PERSPECTIVES ON *JAMSOTEK* IMPLEMENTATION

7.1. Introduction

The two previous chapters look at the perspectives of employers and employees towards Indonesian employment social security (*Jamsostek*) participation. To some extent, those chapters imply that the role of government and administrators in managing social security is vital in the participation decision. Some discussions in the earlier chapters reflect the importance of the government's position. In those chapters, employers and workers frequently mentioned their perspectives on government action (or inaction) and *Jamsostek* implementation policies.

Several authors also mention how the government plays a role in determining the social security system, which ultimately affects the level of participation in employment social security (Bailey and Turner, 1997; van Ginneken, 2007; 2010; Ronconi, 2010; Enoff, 2011; Holzmann, 2014; Lesnik, Kracun and Jagric, 2014; ILO, 2017). Hence, government actions may also create a conducive environment for the social security participation or non-participation behaviour of employers and workers.

Arguably, the government is the one that has the position of establishing the social policy, providing its apparatus, and holding the authority of enforcement. As we saw in Chapter 2, which discussed the context of employment social security in Indonesia, based on the constitution,⁴¹ the state must provide social protection to its people (MPR, 2002). More specific laws such as the National Social Security System

⁴¹ The 1945 Constitution of the Republic of Indonesia (4th Amendment).

Act⁴² and the Social Security Administrator Act⁴³ also mandate that state administrators must extend social protection to all workers in Indonesia. This mandate was also confirmed by a statement from the head of BPJS Ketenagakerjaan:⁴⁴

“Our primary duty is to provide social security for all workers in Indonesia so that they can maintain a decent life when entering an old age or experiencing risks that cause them to be unproductive.” (President Director of BPJS Ketenagakerjaan 2016–2021)

However, either directly or indirectly, all government and administrator respondents indicated that the performance of the *Jamsostek* programme in expanding the coverage was not optimal. When asked for their opinions on the performance of the implementation of *Jamsostek*, all respondents echoed the same concern about low participation.

This chapter tries to present the policymakers’ perspectives on the implementation of *Jamsostek* programmes. In this study, seven policymakers took part as respondents in the interviews. They held positions as members of BPJS Ketenagakerjaan’s Board of Directors and Supervisory Board, the National Committee of Social Security, or were high-level government employees at related institutions. The data was then analysed to answer the following research question:

How do members of the government agencies view and interpret the policies and implementation of the Jamsostek system?

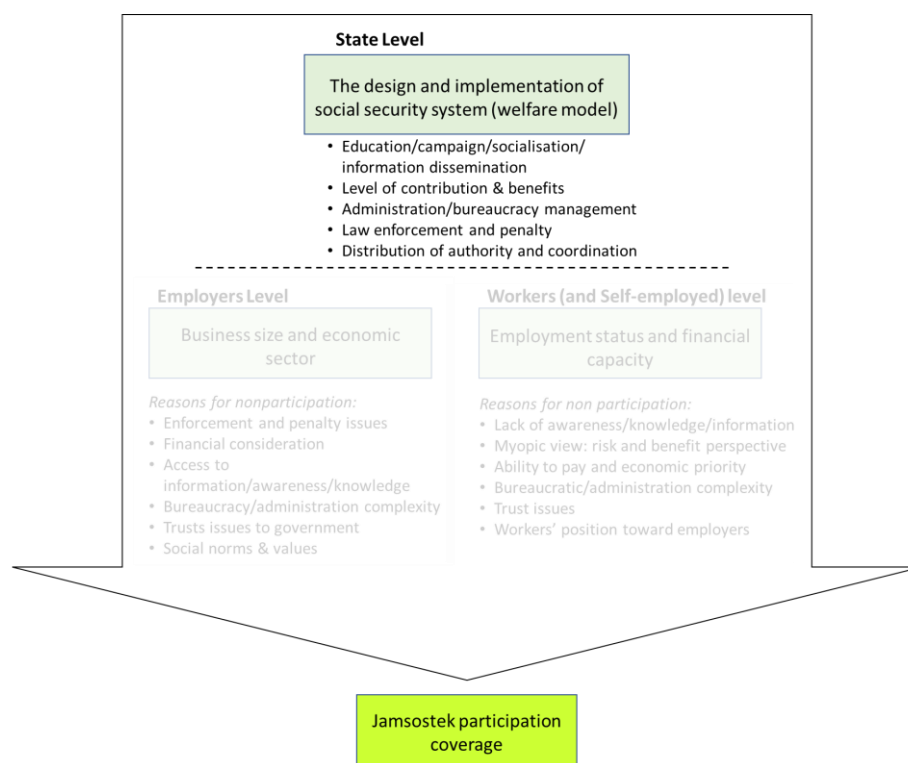
⁴² Law No. 40/2004

⁴³ Law No. 24/2011

⁴⁴ Based on Law No. 24/2011, BPJS Ketenagakerjaan was established as the administrator of *Jamsostek*.

This study used thematic analysis to answer the question above. It also employed a theoretical framework (see Figure 7.1 below) in the analysis process to help explain the government's role in social security participation decisions. The framework suggests some areas related to the government and administrator role, which are: public education/campaign to raise people's awareness and knowledge; the government's view on the level of contributions and benefits; administration/bureaucracy management; enforcement efforts; and inter-institutional coordination. Thus, this chapter presents the results, starting with a discussion on policymakers' views on the effort of educating and raising the awareness and knowledge of the public. This is followed by a discussion on how the government reaches different groups of workers. In the final section, this chapter discusses how the roles and authorities are distributed between institutions and how this affects the implementation of *Jamsostek*.

Figure 7.1 Theoretical framework: State/national level



7.2. Government's view on the public's knowledge about *Jamsostek*

7.2.1. The government recognises the importance of information

Information is critical for people making decisions, including deciding whether or not to participate in social security programmes (Liebman and Luttmer, 2015; Giles *et al.*, 2021). Holzmann (2014) also admits that information, to some extent, is essential. However, he argues that the more important but difficult thing is understanding the minimum level of information delivery and what kind of information set is optimal. Nevertheless, he concludes that there is a strong agreement that if system information is not present at all, participation may not take place.

To some extent, what Holzmann and other scholars conclude is confirmed by the views of employers and workers in this study (see sections 5.2 and 6.2). Some unregistered employers, particularly micro business owners such as Utami, Kusno, and Hadi, said that they did not know they could participate in *Jamsostek* programmes (see section 5.2). Similarly, some self-employed workers like Dian, Arya, and Yudi implied that they might be interested in joining *Jamsostek* but know nothing about the programmes (see section 6.2.2). Ultimately, they questioned whether the government had made any effort to educate them or even had the intention to reach them at all.

In this regard, respondents from the government (BPJS Ketenagakerjaan and other related institutions) seemed to recognise the importance of people's awareness in increasing *Jamsostek* participation. In the interviews, the issues were almost always mentioned by all respondents. One government officer, Didu, argued that effective information dissemination is a key to increasing membership coverage:

“They [workers] need to understand it [*Jamsostek*]. To make them all participants, we expect they get sufficient information of its importance and how this social security programme will help them to have a decent life both during employment and in the post-employment period.” (Didu, government officer)

On the same note, Puti, another government official, argued that it is crucial to educate people about *Jamsostek*. But she further added that BPJS Ketenagakerjaan must formulate the right strategy for that:

“The first and foremost gateway is education. But the question is, who needs to be educated? Is it the companies or the employees? [...] I would prefer to educate or engage the individuals [employees]. They [BPJS Ketenagakerjaan] must think of the right strategy to make each individual worker in Indonesia aware that they have the rights [for *Jamsostek* participation]. [...] They must deliver sufficient information to the public. Have you heard or seen anything about it in the news? Nope. Not often enough.” (Puti, government officer)

In Puti’s opinion, BPJS Ketenagakerjaan had not made an optimum effort in delivering the information to the public. She believed it is not a matter of budget but more about the commitment and innovation of BPJS Ketenagakerjaan in finding the right way to disseminate information to the right groups of people.

On the other hand, respondents from BPJS Ketenagakerjaan said that they had tried to increase public awareness of *Jamsostek* and keep measuring it every year. Based on their report, the level of public awareness of *Jamsostek* has continued to grow since the launch of BPJS Ketenagakerjaan in 2014.

Table 7.1 BPJS Ketenagakerjaan brand awareness 2019

	2015	2016	2017	2018	2019
Brand awareness score	24.3%	35.5%	63.4%	82.61%	89.9%

Source: adapted from *Brand Equity Measurement Report 2019 (BPJS Ketenagakerjaan,2020)*

However, they frequently heard criticisms for not being optimal in educating the public about *Jamsostek*. Some government officers thought that smaller businesses, in particular, had not received sufficient information. Thus, they expected BPJS Ketenagakerjaan to be more aggressive and innovative in promoting and educating the public.

Nevertheless, Bagas, a high-ranking officer of BPJS Ketenagakerjaan, argued that raising awareness alone was not enough to make all workers participate in *Jamsostek*. He said the more challenging thing is how to change the perspectives of people to accept insurance mechanisms where they will get the benefit only if there is a social risk.

It seems that most policymaker respondents agreed that increasing awareness is necessary. But their views are quite different in terms of the effectiveness of raising people's awareness to lead them to participate in *Jamsostek*. In the comments above, for example, Didu and Puti believed that BPJS Ketenagakerjaan should be more aggressive in increasing awareness and education. On the other hand, Bagas implied that those efforts are inadequate to persuade the unregistered workers to register. Bagas felt that it is challenging to expect workers to register themselves without the help of their employers or other parties.

Indeed, in previous chapters (see sections 5.4 and 6.2), some unregistered employers and workers said they might be interested if they received adequate information about *Jamsostek*. But those sections also showed that some employers and workers have heard of *Jamsostek* but have no interest in participating. Perhaps the information dissemination effort can be seen as a step to educate people but not necessarily make them join *Jamsostek* immediately. The more crucial thing is determining how the government or BPJS Ketenagakerjaan should approach the employers and workers, particularly the unregistered ones, to participate in *Jamsostek*. Another question is whether BPJS Ketenagakerjaan should use different approaches for different groups of workers.

7.2.2. Does the government prioritise approaching formal businesses?

Looking at Chapters 5 and 6, we might conclude that the *Jamsostek* administrator undertakes different approaches when dealing with different groups of businesses and workers. Some big companies mentioned that they had been supplied with updated information, while the smaller ones, particularly informal businesses, sometimes did not have sufficient information.

The issues of awareness and knowledge arose in interviews with employers and workers, as shown in previous chapters (Chapters 5 and 6). In those chapters, we can see, for example, that there is a difference in the level of knowledge between formal and informal or micro businesses. Informal businesses often have minimal knowledge about the *Jamsostek* programmes.

But does the government or BPJS Ketenagakerjaan as *Jamsostek* administrator have different approaches to workers from different business sizes and economic

sectors? Based on the interviews conducted in this study, there are indications that BPJS Ketenagakerjaan has different approaches for formal and informal businesses. If this is the case, the further question is why this is happening. Is it because the state has not targeted informal workers to be registered in employment social security? Is it because the administrator has not found the right approach to informal workers yet? Or is it because of any other issue?

The questions about the position of the state in protecting workers with social security can be answered from the legislation/policy and also from its implementation. In terms of policy, as stated in Chapter 2, constitutionally, the state must protect all Indonesian workers. It implies that the state wants all workers, both formal and informal, to be included in the *Jamsostek* system. The commitment to include all workers was also pronounced by the officer from BPJS Ketenagakerjaan:

“Who should have [*Jamsostek*] protection? Is it just for formal workers? No. There is no such disparity. All workers must be protected by *Jamsostek*.”
(Bagas, BPJS Ketenagakerjaan)

However, in practice, this has not yet been fully realised. Chapters 5 and 6 show that many employer and worker respondents, particularly those from micro and informal businesses, thought they were excluded from *Jamsostek*. What made those workers feel that way? Is there any different strategy in approaching the workers? The following subsections show how BPJS Ketenagakerjaan approaches both formal and informal businesses.

7.2.2.1. Maintaining and extending Jamsostek participation for formal enterprises

Bagas, a respondent from BPJS Ketenagakerjaan, said that although the constitution and the law mandated the government to provide social security protection for all workers, there is also a derivative policy that indicates a staging of social security participation, starting from large companies and moving on to smaller businesses (Presidential Regulation Number 109/2013). Hence, he argued that it is expected that formal workers would have a better understanding and a higher rate of *Jamsostek* participation:

“At the heart of the law, all workers must have basic social protection against work-related accidents, death, old age, and pension. But there are stages for that. So it doesn’t mean that all workers must be registered at once. There’s a regulation on this matter. So it wouldn’t burden the employers immediately because social security [payment] is considered a cost for employers or companies.” (Bagas, BPJS Ketenagakerjaan)

However, if we look closely at the Presidential Regulation, it does not mention prioritising large companies over smaller companies and informal workers for social security registration. The regulation still requires the social protection for all workers from businesses of any size, both formal and informal. Indeed, it implies that large companies are required to register their employees in four programmes (JKK, JKM, JHT, and JP)⁴⁵, at least three programmes (JKK, JKM, and JHT) for medium and small firms, and micro and informal businesses are required to enter two programmes (JKK and JKM). So this rule does not seem to be a solid basis for prioritising the registration of larger firms over smaller ones.

⁴⁵ JKK: work-related accident benefit; JKM: death benefit; JHT: old-age benefit; JP: pension benefit.

Yet it seems that BPJS Ketenagakerjaan had not yet found an effective method for approaching certain groups, namely the micro and informal business workers. Chapter 2 explains that BPJS Ketenagakerjaan used to be a profit-orientated company that focused on approaching formal companies to become their customers. Apparently, as of the day of the interviews, they were still focusing on formal companies and were still looking for the best way to recruit informal workers.

The strategy used to approach formal companies is quite intense; they even group certain companies into 'platinum-member' labels. These are companies with large contribution payments and a large number of employees. The platinum companies enjoy special treatment regarding updated information and other rewards:

“We have what we call 'platinum companies' with a large number of employees and contribution amount. We appreciate them by clustering them as platinum members. We give them special treatment and prestigious awards.” (Bagas, BPJS Ketenagakerjaan)

What Bagas said is in line with comments from employers of large companies (see section 5.4.2), which stated they were frequently invited to gatherings and supplied with updated information so that they would have a better understanding of *Jamsostek* and feel comfortable dealing with BPJS Ketenagakerjaan.

However, this approach was not fully agreed with by other respondents, even those from BPJS Ketenagakerjaan. Boni, another high-ranking officer at BPJS Ketenagakerjaan, said that he disagreed with the different treatment for platinum members because all have the same rights regardless of their business size and economic sector. Instead, he urged BPJS Ketenagakerjaan to continue looking for suitable approaches to attract informal workers to participate in *Jamsostek*:

“They [platinum companies] were invited to our events while the smaller ones were not. In my opinion, it needs to be changed. It is true that a large company pays a large amount of contribution and has a large number of employees. But remember, these small businesses, including micro and informal, won’t participate if we don’t approach them correctly.” (Boni, BPJS Ketenagakerjaan)

Indeed, Boni felt it was not easy to find a new way because they had been focusing on the formal sector for a long time. He pointed it out:

“This may be due to the influence of the past. In the past, the target was only formal workers. In my opinion, we are still doing this.” (Boni, BPJS Ketenagakerjaan)

This was also highlighted by Gagah, another BPJS Ketenagakerjaan respondent, who said:

“The growth of Jamsostek participation in the last five years is stagnant. Why? Because we still focus on the formal sector and use the same ways to reach other [informal] groups.” (Gagah, BPJS Ketenagakerjaan)

On top of that, the focus on formal workers can also be seen in the appendices to Law 40/2004 and Law 24/2011. Indeed, in the body of the two laws, it is stated that social security participation is mandatory. However, the appendix of each law explains that the implementation of ‘mandatory’ social security is carried out in stages starting from the formal sector:

Appendix of Law No. 40/2004:

“The principle of participation is mandatory. Mandatory participation is intended to make all people become participants so that they can be protected. However, its

implementation should consider the economic capacity of the people and the Government. The first stage starts with workers in the formal sector; at the same time, the informal sector can participate voluntarily, so that it can include farmers, fishermen, and those who work independently so that eventually the National Social Security System can cover all the people.”

Appendix of Law No. 24/2011 (article 4, subsection (g)):

“What is meant by ‘mandatory participation principle’ is the principle that requires all people to participate in Social Security, which is implemented in stages.”

Boni admitted that approaching formal businesses, particularly the larger ones, is more favourable for them in many ways. For example, in approaching a formal company, they only need to communicate with a few people, such as the owner or HR manager, to get participation from their employees. So there is no need to approach each worker individually. He mentioned:

“Sometimes we only need to maintain contact with one person in a company, then easily get thousands of participants.” (Boni, BPJS Ketenagakerjaan)

To some extent, this practice may contribute to a low level of awareness of *Jamsostek* even among formal workers. Some comments in section 6.2.1 show that even formal workers, especially non-HRD workers, have minimal knowledge about *Jamsostek* even though they are already registered in the programmes. Most workers are aware that their salary is deducted monthly for the *Jamsostek* contribution payment but have never thought further about the benefits they might have.

7.2.2.2. Intention to cover smaller and informal business workers

Arguably, the experience of larger, formal businesses is in contrast to the case for smaller and informal firms, where they feel they have limited information (see section 5.2.2). The government respondents argued it is not that they exclude those groups. Instead, they indicated they had not found the right way to approach these groups. However, respondents were urged to continuously look for appropriate approaches to attract micro and informal workers to *Jamsostek* participation. As Wibowo, a government official who has also overseen BPJS Ketenagakerjaan management, mentioned:

“I realise this is not easy. It is more tricky than [approaching] formal ones. We’ve come [to educate them], but yet it’s still tricky [to make them register for *Jamsostek*]. Hence, it’s better to start from well-established groups [formal businesses], which are more likely to have better financial and education levels.” (Wibowo, government officer)

Wibowo observed that BPJS Ketenagakerjaan had tried to approach casual workers by setting up campaign and education events. He had even joined in with some of those events with BPJS Ketenagakerjaan and met various casual workers such as Indonesian migrant workers, forestry-related workers and others. Yet, he could not see that it attracted the workers.

These socialisation efforts had actually been experienced by some employer and worker respondents, as shown in Chapters 5 and 6. Some employers and workers said they had received an invitation to such an event but were not interested in registering or even attending it. As Wibowo observed, it is difficult to make them immediately participate in *Jamsostek* only by disseminating information about it.

7.3. Government's view on workers' ability to pay the contribution

Regarding the capacity of workers, especially informal workers, to pay *Jamsostek* payments, the government respondents had differing views. According to some, the contribution rates were so low that the majority of workers could afford them. Others said that while it seems cheap, it is quite impossible to expect these informal workers to willingly make payments.

7.3.1. Workers' ability to pay, government subsidy, and GN Lingkaran

The campaign efforts mentioned in the sections above are, to some extent, persuasive attempts. They were expected to make unregistered workers (particularly informal workers) participate voluntarily by providing knowledge and increasing awareness of *Jamsostek*. However, considering the less-than-satisfactory results so far, some respondents, such as Bagas (BPJS Ketenagakerjaan officer), think that it is challenging to persuade informal workers to participate in *Jamsostek* by merely raising their awareness.

Similarly, other government respondents, such as Wibowo, argued that, in a general sense, *Jamsostek* programmes are complex for many people to understand. This is in line with comments from some employers and workers, as shown in Chapters 5 and 6. So the challenge is how to convey complex information in a manner that is concise and easily understood by the wider community.

Bagas went on to argue that there must be a method to force their participation instead of expecting them to voluntarily register into the programmes, for example, by paying the contribution for them:

“If you rely on their [informal workers] voluntary action [to register], it will be tough. It needs proactive efforts from the government or other civil societies [to register and pay the contribution].” (Bagas, BPJS Ketenagakerjaan)

Further, Bagas said that apart from the difficulty of educating micro and informal workers, many of them cannot afford to pay the contribution:

“I can say that informal workers are financially vulnerable. They prefer to fulfil other basic needs rather than paying social security contributions.” (Bagas, BPJS Ketenagakerjaan)

Based on this assumption, Bagas argued that these vulnerable workers need assistance from the government and other parties. Government action is needed, especially by providing contribution subsidies for informal or underprivileged workers. It is possible for the government to provide this subsidy, as stated in Law No. 40/2004 and Law 24/2011.

Law/regulation	Subsection(s)
Law No. 40/2004 article 14	<p>(1) <i>The government gradually registers the recipients of contribution subsidy as participants with the Social Security Administering Body [BPJS].</i></p> <p>(2) <i>The recipients of the contribution subsidy, as referred to in (1), are the poor and the underprivileged.</i></p>
Law No. 40/2004 article 17	(4) <i>The social security contributions for the poor and underprivileged people are to be paid by the government.</i>
Law No. 24/2011 article 18	(1) <i>The government registers the contribution subsidy recipients and their family members as participants in BPJS.</i>
Law No. 24/2011	(4) <i>The government pays the contributions for the subsidy</i>

article 19	<p><i>recipients to BPJS.</i></p> <p><i>(5) In the first stage, the contribution as referred to in paragraph (4) is paid by the government for the health programme.</i></p>
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However, it seems that the government has not considered realising the subsidy yet. Bagas acknowledged that BPJS Ketenagakerjaan had asked for the subsidies several times but had not received government approval. This may be due to the government prioritising health social security. As implied in Law No. 24/2011 article 19 sub-article (5) above, there is a staging for providing the subsidy, starting with the provision for health social security.⁴⁶

Some respondents said that it is about the government's commitment to achieving universal *Jamsostek* coverage. As Wibowo said:

“It depends on the political will. To some degree, it could've been funded from the general revenue.” (Wibowo, government officer)

He then mentioned some alternative solutions for the subsidy funding, such as through the provision of special interest on BPJS Ketenagakerjaan's investments in government bonds.

However, since there has not been any positive indication from the central government for providing such subsidies, BPJS Ketenagakerjaan must devise alternative strategies to acquire the participation of workers working in micro businesses and informal sectors. Hence, BPJS Ketenagakerjaan came up with some

⁴⁶ The government has been providing subsidies for healthcare social security based on Government Regulations No. 101/2012 and No. 76/2015.

kind of crowdfunding strategy which was then called GN Lingkaran (National Movement for Vulnerable Workers Protection).

Bagas briefly explained that GN Lingkaran provides alternative funding that allows poor or underprivileged workers to be protected by *Jamsostek* programmes. Through this initiative, BPJS Ketenagakerjaan began a crowdfunding platform and encouraged the public and corporations to donate to it to help underprivileged workers have social security. It distributes the donations to vulnerable workers in the form of *Jamsostek* contribution payments. Bagas went on to say that this initiative was considerably successful, and since being established three years ago (starting 2017), the initiative has helped around one million poor workers to be registered in *Jamsostek*.

However, GN Lingkaran was not free from criticism. Wibowo, a government officer, thought that although it may be a good alternative for expanding the coverage to vulnerable workers, he was concerned about its sustainability and the advantages for workers. Further, he revealed some shortcomings of the initiative:

“Most donations came from their [BPJS Ketenagakerjaan’s] partners, such as banks, using part of their CSR funds. Usually, they [BPJS Ketenagakerjaan] provide a list of workers, and the donation is then allocated to pay their contributions for a six-month period. However, I’ve often seen that these workers themselves don’t even know that they’ve been registered. Hence, after six months of membership, they don’t continue to pay it themselves. Personally, I doubt the sustainability of this initiative.” (Wibowo, government officer)

Another criticism challenges the assumption that these informal workers do not have the ability to pay *Jamsostek* contributions. Some respondents, such as Boni and

Gagah, argued that the problem is not the ability to pay but the ineffectiveness of BPJS Ketenagakerjaan's communication strategy to convince the public about the benefits of *Jamsostek* programmes so that they will register and pay for them. They argued that it is more about their willingness than their ability to pay. As Boni pointed out:

"I don't think it's too much for them. They could've spent much more on cigarettes, mobile phone credits and others. Out of 70 million informal workers, I can say more than 40% or even around 70% of them can actually afford it [*Jamsostek* contribution] [...] The main issue is not their ability to pay." (Boni, BPJS Ketenagakerjaan)

What Boni said is also in line with statements from many worker respondents, as shown in subsection 6.4, Chapter 6. Although some workers refused to join *Jamsostek* due to their financial limitations, most worker respondents felt that the contribution level was still affordable. Gagah also reaffirmed this:

"We always think they [informal workers] can't pay, so we can't reach them. According to our research, people are willing to pay up to Rp50,000 [approx. £2.50] [per month] for it. So, it is affordable. It means there is something wrong with our communication." (Gagah, BPJS Ketenagakerjaan)

Furthermore, Gagah provided a research report⁴⁷ on people's ability and willingness to pay the *Jamsostek* contribution. After surveying 1,659 informal and self-employed workers, the report concluded that the ability of these workers to pay was much higher than their willingness to pay. On average, the respondents' ability is in the range of Rp133,301/month (approx. £6.60) for low-income workers to Rp199,404

⁴⁷ BPJS Ketenagakerjaan funds a research project conducted by LPEM FEB University of Indonesia: "Study of people's ability and willingness to pay for employment social security."

(approx. £9.90) for middle-income workers (LPEM FEB UI, 2020, p.34). Meanwhile, their average willingness to pay for the basic *Jamsostek* programmes (JKK and JKM) ranged from Rp20,436 (approx. £1.00) to Rp43,404 (approx. £2.20) (LPEM FEB UI, 2020, p.38).

Based on the employers' and workers' perspectives shown in Chapters 5 and 6, as well as the results of the research by LPEM FEB UI above, it seems that the main issue is not the ability of workers to pay the contributions, but their willingness to participate in the *Jamsostek* programmes. They tend to be reluctant to join voluntarily because they do not feel it is necessary.

Overall, many respondents argued that merely providing information and other persuasive approaches will not obtain optimal results in *Jamsostek* participation. Thus, although an initiative like GN Lingkaran would probably increase the number of participants, it was seen as having some shortcomings in terms of its sustainability and advantages to workers.

Wibowo, a government officer, suggested a more proactive role of the government that might make workers systematically register for *Jamsostek* – for example, making *Jamsostek* participation a mandatory requirement for a business permit or even for application for driving licences and passports. Another idea was funding *Jamsostek* through government general expenditure or taxation:

“It’s crucial to strengthen the systemic approach in recruiting *Jamsostek* participants because public awareness is still low. We cannot rely on that [raising awareness]. Maybe it’s better if the *Jamsostek* contribution is treated as part of taxes so BPJS Ketenagakerjaan doesn’t have to deal

with marketing and collecting contributions from employers and workers, right? So they can focus on the service.” (Wibowo, government officer)

All in all, the comments above imply that members of the government and BPJS Ketenagakerjaan do not intend to exclude certain groups of workers. However, they are still working on approaches to reach unregistered groups, especially those working in micro and informal businesses. Some respondents argued that they should further increase persuasive efforts through promotion, education, and marketing approaches. Meanwhile, others prefer to encourage a more active role for central government, such as by providing subsidies on the *Jamsostek* contribution payment.

7.4. Government initiatives to ease administrative procedures

In general, the analysis of the data reveals that respondents do not see any serious issues with administrative processes. Nearly all respondents said that *Jamsostek* management had offered quite clear and straightforward processes for both companies and employees. They did not elaborate on the need to strengthen the administrative structure in any of the interviews. This stands in sharp contrast to the employees’ perceptions covered in Chapter 6.

However, respondents were aware that although this may be simple for formal companies and employees, it is not simple for informal employers and workers. To offer ease for informal employers and employees, BPJS Ketenagakerjaan has established third party agents that provide service points in locations far from its branch offices. However, the execution of this project faced several challenges, as described in the next section.

7.4.1. The agency model of PERISAI

Another effort of BPJS Ketenagakerjaan to increase participation, especially by informal sector workers, is the establishment of an agency strategy called PERISAI (Indonesian Social Security Activator). PERISAI was established based on the BPJS Ketenagakerjaan Board of Director's Regulation No. PERDIR/15/082018. Accordingly, BPJS Ketenagakerjaan appointed third parties, called PERISAI offices, to help them expand the accessibility of the *Jamsostek* programmes even in remote areas without having to open branch offices.

However, almost all government respondents questioned the effectiveness of the PERISAI initiative because, after some years of establishment, it has not provided optimal results. Moreover, some respondents were worried that this initiative might cause unfavourable consequences to BPJS Ketenagakerjaan. Gagah, a BPJS Ketenagakerjaan officer, doubted that this initiative would pay off considering the risks. He pointed out:

“It's too risky [...] Somehow, they are third parties. There's always the possibility of governance risk. Moreover, it keeps us from directly engaging with the informal sector.” (Gagah, BPJS Ketenagakerjaan)

Gagah's concerns are related to the PERISAI tasks as described in PERDIR/15/082018, which are: 1) raising awareness of *Jamsostek* programmes; 2) registering participants; 3) data management, including updating data and maintaining contribution collectability; 4) contribution payment processing; 5) providing proof of membership; 6) management reporting to BPJS Ketenagakerjaan; and 7) archiving membership documents. Although BPJS Ketenagakerjaan's branch

offices monitor PERISAI, Gagah argued that it is still risky to let third parties do 'A to Z' administrative tasks.

Another concern with PERISAI is about the incentives given to the agents. As Puti, a government officer, pointed out:

“Does it [PERISAI] increase the participation rate? Not really. Perhaps it's related to the fee system. They [BPJS Ketenagakerjaan] have to be careful of the fees that must be paid to PERISAI agents.” (Puti, government officer)

What makes it a concern of some respondents like Puti? As was briefly pointed out by Puti, the problem may lay in the calculation of the incentive. Based on the Board of Director's Decree No. KEP/48/02219, PERISAI is given a fee or incentive in the form of acquisition and contribution incentives. The acquisition incentive of Rp500,000 (around £25) is given when they acquire fifty new participants in a month. Meanwhile, the contribution incentive is given at 7.5% of the collected contribution every month.

Of the two incentives, the contribution incentive might be more intriguing and may be detrimental. We might look at it from two perspectives. First, the incentive might not be appealing for agents because it would take a lot of effort to generate an incentive that meets a decent living standard. The average national minimum wage in 2020 was Rp2.7 million (BPS-Statistics Indonesia, 2021) or approximately £135 per month. Assuming the minimum wage as a proxy for a decent living standard and that each participant contributes Rp16,800 (approx. £0.80) per month, a PERISAI agent would need to manage at least 2,142 participants to meet their standard living costs.

However, not everyone could acquire that number of participants in a short period of time. Even BPJS Ketenagakerjaan has difficulties in obtaining participants.

The second perspective concerns the incentive percentage compared with the source of BPJS Ketenagakerjaan's budget. Although the rate (7.5%) may be considered relatively low, it should be borne in mind that the source of BPJS Ketenagakerjaan's operating budget is also partly calculated from the value of collected contributions. As Government Regulation No. PP/55/2015 regulates it, BPJS Ketenagakerjaan can be given a maximum operational budget of 10% of contribution payment and 10% of the investment return of JHT and JP funds. Table 7.2 below presents the percentages determined annually by the Ministry of Finance.

Table 7.2 BPJS Ketenagakerjaan operational budget 2014–2020

Year	Basis	Maximum operational budget
2014	PMK No. 212/PMK.02/2013	10% of JKK contribution payment 10% of JKM contribution payment 0.1125% of JHT contribution payment and investment return
2015	PMK No. 244/PMK.02/2014	10% of JKK contribution payment 10% of JKM contribution payment 0.1292% of JHT contribution payment and investment return
2016	PMK No. 245/PMK.02/2015	5.757% of JKK contribution payment 5.757% of JKM contribution payment 5.757% of JHT contribution

		<p>payment</p> <p>5.757% of JP contribution payment</p> <p>10% of JHT fund investment return</p> <p>10% of JP fund investment return</p>
2017	PMK No. 210/PMK.02/2016	<p>4.6351% of JKK contribution payment</p> <p>4.6351% of JKM contribution payment</p> <p>4.6351% of JHT contribution payment</p> <p>4.6351% of JP contribution payment</p> <p>10% of JHT fund investment return</p> <p>10% of JP fund investment return</p>
2018	PMK No. 215/PMK.02/2017	<p>3.5126% of JKK contribution payment</p> <p>3.5126% of JKM contribution payment</p> <p>3.5126% of JHT contribution payment</p> <p>3.5126% of JP contribution payment</p> <p>10% of JHT fund investment return</p> <p>10% of JP fund investment return</p>
2019	PMK No. 186/PMK.02/2018	<p>4.94% of JKK contribution payment</p> <p>4.94% of JKM contribution payment</p> <p>4.81% of JHT contribution payment</p> <p>4.81% of JP contribution payment</p> <p>4.81% of JHT fund investment return</p>

		4.81% of JP fund investment return
2020	PMK No. 177/PMK.02/2020	7.5% of JKK contribution payment 7.5% of JKM contribution payment 4% of JHT contribution payment 4% of JP contribution payment 5% of JHT fund investment return 5% of JP fund investment return

Source: Author's compilation

As shown in Table 7.2 above, the amount of BPJS Ketenagakerjaan's operational budget is derived from the percentage of contributions varies and is often lower than the percentage of incentives given to PERISAI agents. In the long term, if the acquisition of informal workers increases massively, it might take up a portion that exceeds even the budget source itself.

These issues have raised concerns about this initiative for some respondents. Even those working at BPJS Ketenagakerjaan showed some reluctance about carrying out the PERISAI initiative.

7.5. Law enforcement issues

Enforcement issues also emerged in interviews with employers and workers, as shown in previous chapters. In general, they question the authority and commitment of the government, particularly BPJS Ketenagakerjaan, in enforcing *Jamsostek* participation. Section 5.2 in Chapter 5 shows how employers feel that enforcement efforts are not on target or even not in place. However, their responses regarding this issue were varied. Some employers thought it was unfair for compliant companies, but others stated that they were comfortable with this loose enforcement condition.

Some employers, particularly micro and informal businesses, even said that they will not register their workers as long as there is no strict requirement.

On the other hand, workers had different views about the enforcement effort. Section 6.6 in Chapter 6 shows that most worker respondents feel that their position is inferior to their employer. They submit to their employer's decision about *Jamsostek* participation. In this case, instead of challenging their employers, they expect BPJS Ketenagakerjaan or the government to play a more proactive role in enforcement efforts so they can have their right to social security.

Therefore, it is interesting to look at how BPJS Ketenagakerjaan and the government saw the existing enforcement efforts. For example, responding to those perspectives from employers and workers, Bagas, a respondent from BPJS Ketenagakerjaan, said:

“It's not that we don't have the authority to enforce. We do have it, but it's limited. Hence, our enforcement efforts are through literacy efforts and improving institutional relations.” (Bagas, BPJS Ketenagakerjaan)

Later in this subsection, we discuss the implementation of enforcement efforts from the perspectives of the government and BPJS Ketenagakerjaan. But before we move on to their views, we will look at laws and regulations related to *Jamsostek* enforcement.

Law 24/2011 states that every employer and anyone who meets the requirements for social security participation must register with the social security administration. The law also mentions that if someone fails to do so, they will be subject to administrative

sanctions which are: 1) a warning notice, 2) a fine, and 3) being impeded from certain public services. BPJS Ketenagakerjaan has the authority to impose the first and second sanctions. Meanwhile, the third sanction can only be executed by other government and local government institutions that handle certain public services.

Concerning the third sanction, Law 24/2011 does not limit what public services are included in the sanctions. However, this law provides examples of public services, such as access to business permits, driving licences, vehicle registrations, land ownership certificates, and passports. Table 7.3 below summarises the institutions authorised to impose sanctions.

Table 7.3 Administrative sanctions

Sanction		Authority
Warning notice		BPJS Ketenagakerjaan
Fine		BPJS Ketenagakerjaan
Impeded from accessing certain public services	Business permit	<ul style="list-style-type: none"> • Local government • Capital Investment Coordinating Board (BKPM)
	Building permit	Local government
	Driving license	Indonesian National Police
	Vehicle registration	Indonesian National Police
	Land ownership certificate	Ministry of Agrarian and Spatial Planning (National Land Agency)
	Passport	Ministry of Law and Human Rights (Immigration Office)

Source: Author's summary based on Law No. 24/2011 and Government Regulation No. 86/2013

Table 7.3 does not fully confirm what Bagas said above. Instead, it shows that BPJS Ketenagakerjaan has an enforcement role and has the authority to impose sanctions on companies that do not comply with the regulations in the form of warnings and fines. However, it seems that the sanctioning authority is deemed insufficient to show the power of BPJS Ketenagakerjaan in enforcing *Jamsostek* participation. Boni, an officer at BPJS Ketenagakerjaan, expressed his concern:

“If only they would give the enforcement role to BPJS Ketenagakerjaan. We all know that it’s so difficult to coordinate with many institutions, ministries, local government units, and so on [...] Please do the job if they don’t want to give up the authority.” (Boni, BPJS Ketenagakerjaan)

Almost all government respondents implicitly said that the role of BPJS Ketenagakerjaan in terms of law enforcement was only limited. Similar to Bagas’ view earlier, Wibowo, a government officer, implied that BPJS Ketenagakerjaan did not have a law enforcement role. He said:

“BPJS Ketenagakerjaan can only remind, reprimand strongly. Yes, that’s all.”
(Wibowo, government officer)

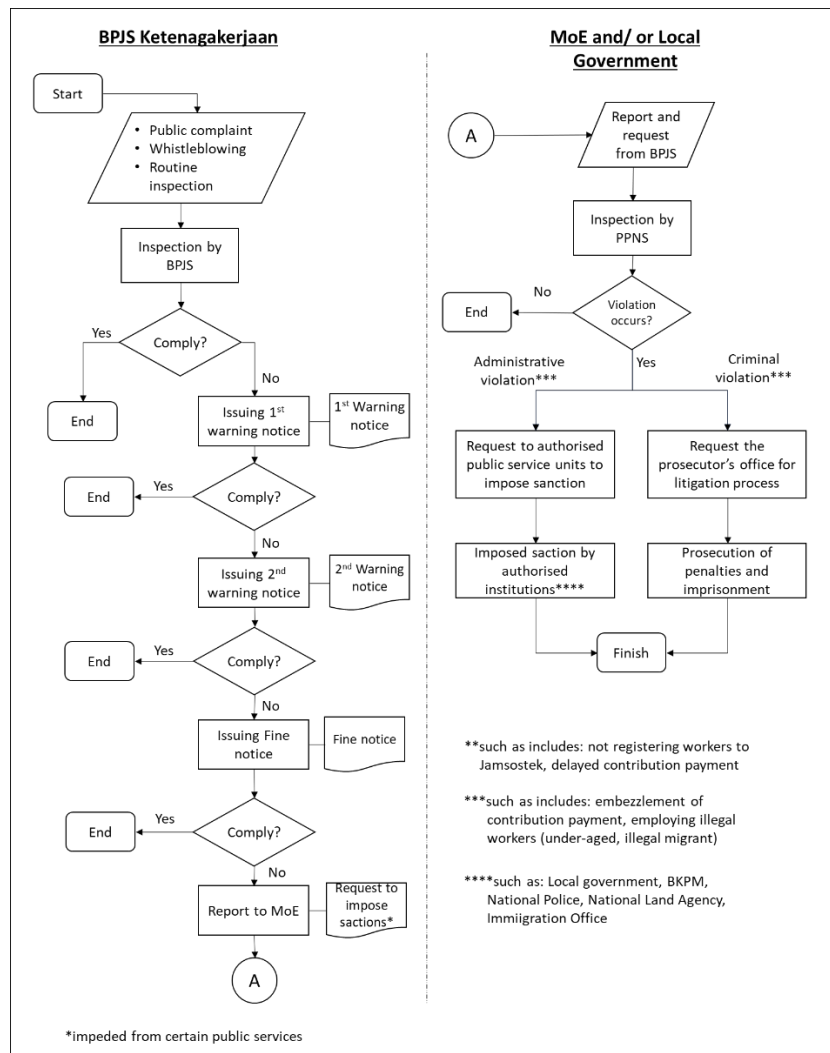
Wibowo went on to say that BPJS Ketenagakerjaan can only do administrative enforcement. Meanwhile, the law enforcement role lies in ministries such as the Ministry of Employment (MoE). It seems that the part of administrative enforcement owned by BPJS Ketenagakerjaan is understated compared to the parts of other institutions. All respondents from BPJS Ketenagakerjaan considered the organisation to have an insufficient role in the law enforcement process:

“We can only report non-compliant cases to the MoE and it’s up to them whether they want to proceed those cases to the next phase.” (Gagah, BPJS Ketenagakerjaan)

It may be helpful to get an overview of what the *Jamsostek* participation enforcement process is in order to understand the concerns of these respondents. Based on the relevant regulations,⁴⁸ along with information from respondents, a diagram was developed in an attempt to summarise the *Jamsostek* law enforcement process in general (see Figure 7.2). To some extent, this diagram helps explain the role of BPJS Ketenagakerjaan and other institutions in *Jamsostek* law enforcement.

⁴⁸ MoE Regulation No. 4/2018, MoE Regulation No. 33.2016, Government Regulation No. 86/2013, and Law No. 13/2013.

Figure 7.2 *Jamsostek* enforcement process in brief



Source: author's analysis

Figure 7.2 does show the role of BPJS Ketenagakerjaan in imposing sanctions on non-compliant companies. However, it has no coercive power. That role lies with the PPNS⁴⁹ (civil servant investigator) in the MoE and local government. The PPNS can conduct an investigation and determine the next step, ordering relevant institutions to impose sanctions or proceeding to litigation processes.

⁴⁹ A PPNS is a civil servant officer who has authority to perform investigations within the scope of his institution. In this study, it refers to PPNS in MoE and local government related to the employment sector (Law No. 2/2002 and Ministry of Home Affairs Regulation No. 3/2019).

The role of the PPNS seems to be crucial, and some respondents suggested recruiting PPNSs to be part of the BPJS Ketenagakerjaan enforcement unit instead of having to always coordinate with various government units every time they make enforcement efforts. However, BPJS Ketenagakerjaan did not seem to want to take this suggestion on board in the near future. Instead, many local BPJS Ketenagakerjaan regional offices allegedly choose to take shortcuts by coordinating with the Prosecutor's Office. This then raises a new polemic relationship with MoE. Wibowo again commented:

“PPNS is the right one, not the prosecutors!” (Wibowo, government officer)

Didu, another government official, reckoned that in the employment inspection system, there is no direct role for the Prosecutor's Office. In his opinion, that strategy is intimidating and no longer effective:

“Why the Prosecutor's Office? Indeed, I often hear from regional inspectors about uncondusive communication between them and BPJS Ketenagakerjaan. Still, it is unnecessary to end up with the Prosecutor's Office instead of fixing the coordination with employment inspectors.”
(Didu, government officer)

Some respondents argued that using prosecutors directly for enforcement is unwise because of their coercive approach, which is different from a PPNS, who uses elements of consultation and mediation. They maintained that the involvement of prosecutors in the early stages might make employers uncomfortable and be detrimental to their relationship with BPJS Ketenagakerjaan. Some employers' comments in section 5.5.2 confirm this concern. One employer clearly expressed that he was irritated by the prosecutor's approach. Thus, they suggested BPJS

Ketenagakerjaan appropriately follow the enforcement approaches as mentioned in the regulations, which involve MoE in the first place rather than jumping to prosecution.

However, it should be noted that in the decentralised system in Indonesia, the role of local governments in labour inspection is crucial. Under Law No. 22/1999 (Local Government Act), local governments are given the authority to manage the administration of employment affairs, which includes encouraging participation in employment social security. Thus, BPJS Ketenagakerjaan needs to coordinate with all local governments in Indonesia, which consists of 34 provinces, 416 regencies, and 98 municipalities (BPS-Statistics Indonesia, 2021). Respondents acknowledged this condition as a challenge because it is not easy to approach every head of local government, many of whom often do not understand the employment social security system.

Arguably, the dynamics and debates between institutions about the authority to implement law enforcement for *Jamsostek* participation might lead to the public perception that law enforcement is not working or at least is only partially working (see Chapter 5).

7.6. Distribution of authority and dynamics between government institutions

The two previous chapters capture the views of respondents, both employers and workers, regarding the government's commitment to cover all workers in Indonesia. Furthermore, their answers implied several aspects, including the authority of law enforcement, financing social security contributions for underprivileged workers, and

system integration. For instance, some respondents doubted that BPJS Ketenagakerjaan had the power to enforce the law since they had never seen any prosecution of non-compliant businesses. Another emerging question was whether the government would pay the *Jamsostek* contribution for them as they do with healthcare social security. Other respondents wondered if the government could integrate *Jamsostek* administration and registration with other public services such as national identity numbers, business permits, taxation, and others.

Related to this, some respondents indicated that addressing the above issues is not a simple task because it requires coordination between institutions. Bagas, a respondent from BPJS Ketenagakerjaan, observed that the implementation of *Jamsostek* involves several institutions, each of which has its own role and authority. Furthermore, he argued that BPJS Ketenagakerjaan is only an administrator with limited power. He said that it is not in a position to propose regulations and enforce the law. Hence, BPJS Ketenagakerjaan alone should not be held accountable for law enforcement and other functions:

“Basically, BPJS Ketenagakerjaan is an operator, not a policymaker. We are administrators. The policymaker is the government, the ministry. BPJS Ketenagakerjaan is the operator; the executor of the policy. We can only do things that are not restricted by the regulations.” (Bagas, BPJS Ketenagakerjaan)

As the *Jamsostek* administrator, BPJS Ketenagakerjaan must always coordinate with other institutions. Unfortunately, Bagas’ comments above imply an issue in coordination between institutions. Arguably, ineffectiveness in coordinating with other related institutions might result in ineffectiveness in synchronising regulations and

law enforcement efforts. Bagas' comment below indicates that this issue might arise because some institutions do not include *Jamsostek* implementation in their priority programmes:

“We sometimes feel it’s not their priority. They hold the policymaking authority but it’s not their priority. They only focus on their own programmes for their own interests. So, we need political relationship management. We need lobbying to get their attention. We are often stuck there. We often urgently need policies for *Jamsostek* but I just don’t feel other related institutions feel the same urgency. It’s just not on their priority list.” (Bagas, BPJS Ketenagakerjaan)

Nevertheless, we need to review the law and regulations to find the roles of institutions related to the implementation of the Indonesian social security system. As we have noticed throughout this study, there are two main laws that are directly related to social security in Indonesia: the National Social Security System Act (Law No. 40/2004) and the Social Security Agency Act (Law No. 24/2011). Table 7.3 below summarises the roles of relevant institutions implied in those laws.

Table 7.3 Roles of institutions in the implementation of employment social security

Role	Institution(s)
Supervision	DJSN, OJK (Financial Services Authority), BPK-RI (The Audit Board of The Republic of Indonesia)
Regulation	DJSN, BPJS Ketenagakerjaan, relevant ministries (e.g. Ministry of Law and Human Rights (MoL), Ministry of Employment (MoE), Ministry of Finance (MoF))
Budgeting	MoF, BPJS Ketenagakerjaan, DJSN
Law enforcement	BPJS Ketenagakerjaan, MoE, local governments, Indonesian

& sanction	National Police, MoL, Ministry of Agrarian and Spatial Planning, Capital Investment Coordinating Board (BKPM)
Administration ⁵⁰	BPJS Ketenagakerjaan

Source: Author's summary based on Law 40/2004 and Law 24/2011

Table 7.3 above does not seem to confirm what Bagas said. It shows that BPJS Ketenagakerjaan has strategic roles as well as administrative roles, including regulatory and enforcement functions. However, perhaps it is more interesting to see how much each institution plays those roles. The following subsections discuss this matter further.

7.6.1. Regulatory role

Law 24/2011 states that BPJS Ketenagakerjaan is a statutory public agency directly reporting to the President of the Republic of Indonesia. With this position, and as an institution established by the law, BPJS Ketenagakerjaan has the ability to issue regulations in the form of *BPJS regulations* (see Law 12/2011⁵¹ article 8). However, Law 40/2004 and Law 24/2011 also mention several aspects that must first be regulated through higher regulations,⁵² in the form of *government regulations*, rather than directly regulated by the BPJS. Those aspects include the government subsidy for social security contribution,⁵³ the level of contributions⁵⁴ and benefits,⁵⁵ operational budgeting,⁵⁶ and the imposition of sanctions⁵⁷ (law enforcement).

⁵⁰ The administrative role is provided in Appendix 11

⁵¹ Law on the establishment of law and regulations.

⁵² See Appendix 12 for the hierarchy of Indonesian law and regulations based on Law 12/2011.

⁵³ Law 40/2004 articles (14) and (17).

⁵⁴ Law 40/2004 articles (34), (38), (42), and (46) and Law 24/2011 article (19).

⁵⁵ Law 40/2004 articles (33), (37), (41), and (45).

⁵⁶ Law 24/2011 articles (41), (43), and (45).

Government regulations are issued by the President with proposals from institutions under the President such as ministries and other government agencies. Thus, BPJS Ketenagakerjaan is in a position where it is possible to make this proposal. However, respondents acknowledged that, in practice, the regulation proposals are only submitted by institutions headed by a minister, such as the Ministry of Finance (MoF) and the MoE.

However, regarding the regulation-making process, the role of the National Committee of Social Security (DJSN) seems to be overlooked. Arguably, DJSN has a vital role in synchronising policies and regulations related to the implementation of *Jamsostek*. Law 40/2004 states that DJSN is an institution reporting to the President whose role is to formulate and synchronise social security policies. Table 7.4 below summarises the roles of DJSN.

Table 7.4 Role of the National Committee of Social Security (DJSN)

	Description
Role	Formulating general policies and synchronising the implementation of the national social security system
Tasks	1) Conducting studies and research related to the implementation of social security; 2) Proposing the investment policy of the national social security fund; 3) Proposing a budget for contribution subsidy and the availability of the operational budget to the government
Authority	Monitoring and evaluating the implementation of social

⁵⁷ Law 24/2011 article (17).

	security programmes
--	---------------------

Source: National Social Security System Act (Law No. 40/2004 article (7))

But many respondents did not see that the roles of DJSN, as stated in the law above, mean that DJSN has a strategic regulatory role. Hani, a high-ranking government officer, emphasised several times in her interview that the function of the regulator lies with the ministries, not with BPJS or DJSN:

“Although [Law 40/2011] states DJSN has the role of making general policies on social security, they are not regulators. The regulator is still the Ministry of Employment. It is the same with BPJS. It’s true BPJS has a regulatory function, but it is only for regulating the management of BPJS itself and how they administer the programmes.” (Hani, government officer)

Indeed, Hani acknowledged the change in the position of BPJS, which is now a public agency reporting directly to the President. She was aware that there is no longer a vertical line of command between social security providers such as BPJS Ketenagakerjaan and the ministries. However, she persistently said that BPJS has limited authority, particularly in the area of regulation:

“BPJS is not a superbody. They still need the Ministry of Employment to make regulations. The ministry is the regulator, not even DJSN. Indeed, in establishing regulations, DJSN plays an essential role by conducting researches, studies and preparing the main idea for legal drafting. However, only ministries can move them forward to the next regulation-making processes.” (Hani, government officer)

On the same note, Didu, another government official, emphasised that it is the role of ministries to pass regulations. He said:

“The Ministry of Employment is the regulator. Sure, we always coordinate with BPJS in making regulations because they are the ones who will use them.”

(Didu, government officer)

No respondents denied the leading role of ministries in making regulations; however, respondents from BPJS Ketenagakerjaan hoped that the ministries could involve them more in the process since they believe that BPJS Ketenagakerjaan has a better knowledge of the problems and conditions in the area of social security:

“Indeed, in making the regulations, our role is limited to providing input for them [ministries]. Unfortunately, sometimes they don’t invite us to participate in the policymaking process, such as when they recently established the Employment Creation Act (UU Cipta Kerja/ Law No. 11/2020). I can see some flaws in the law. They should’ve been open to including us in the process or at least asked our view on some aspects.”

(Boni, BPJS Ketenagakerjaan)

However, Boni added that the more substantial thing is not who has the regulatory authority but how each institution respects the equal position of agencies like BPJS Ketenagakerjaan and the ministries. He even expressed his concern that there are indications that the ministries persistently maintain their superior status over BPJS Ketenagakerjaan:

“Sometimes I feel that the ministries want to be superior to us. How do they do that? They make us dependent on them. For example, some things actually don’t need to be regulated by ministerial regulation. But they are. And it takes time for them to produce that regulation. We need to make it right. It seems as if a particular ministry is shackling us.” (Boni, BPJS Ketenagakerjaan)

Although there may be problems in distributing regulatory roles among institutions (BPJS Ketenagakerjaan, DJSN, and the relevant ministries), it seems that most respondents agree that the leading role in making regulations lies with the ministries. Apparently, what is needed is access for each institution to provide input during the regulation-making process.

7.6.2. Performance measurement

The earlier subsections imply that the implementation of *Jamsostek* involves several institutions, each of which has its own role and authority. However, the responsibility for increasing participation coverage appears to be solely that of BPJS Ketenagakerjaan. Many government respondents pointed their fingers to BPJS Ketenagakerjaan as being responsible for the non-optimal *Jamsostek* participation coverage.

Through further investigation, it turns out that only BPJS Ketenagakerjaan has performance indicators that clearly and directly mention the target of expanding *Jamsostek* membership. Other related institutions do not directly include membership coverage as an indicator of their performance. As Hani, a government officer remarked:

“The law doesn’t mention the MoE to have the performance indicators and targets. The MoE isn’t responsible for such indicators. But the MoE’s strategic plan mentions two main aspects related to BPJS Ketenagakerjaan’s performance: increasing *Jamsostek* participation rate and delivering good services.” (Hani, government officer)

Hani's comment was supported by Didu, another government official. He said that although he is aware that the implementation of *Jamsostek* cannot be carried out by one institution alone, this does not mean that all related institutions must have a target of *Jamsostek* participation in their key performance indicators (KPIs). For the MoE, although it has an important role in the protection of workers, Didu argued that it is not necessary to have a specific target of increasing *Jamsostek* participation:

“MoE does not explicitly have this KPI [*Jamsostek* participation]. However, in the MoE strategic plan, it is stated that the protection of workers must be improved. Indeed, there is no specific target for that [the number of *Jamsostek* participants], but we support increasing labour protection. The specific target is the responsibility of BPJS Ketenagakerjaan because they are given the authority to collect contributions and provide services to participants.” (Didu, government officer)

These performance indicators, then, are integrated into BPJS Ketenagakerjaan's annual work plan and budget. According to Government Regulation No. 99/2013, the directors of BPJS Ketenagakerjaan prepare a work plan and annual budget, which is then stipulated by the Supervisory Board of BPJS Ketenagakerjaan. It should be noted that the Board of Directors and the Supervisory Board are two organs of BPJS Ketenagakerjaan. So, it can be said that BPJS Ketenagakerjaan can determine its own performance indicators as well as the targets.

Indeed, Law No. 40/2004 states that DJSN has the authority to monitor and evaluate the implementation of social security (see Table 7.4). In this case, BPJS Ketenagakerjaan is accountable to the President through DJSN (see UU 24/2011). However, these laws do not clearly state who should determine the *Jamsostek* participation target for BPJS Ketenagakerjaan.

This practice has been in effect since BPJS Ketenagakerjaan came into existence in 2014. However, it seems that the government is improving this aspect of performance measurement. In 2017, through DJSN Regulation No. 1/2017, DJSN made a general policy for setting and assessing BPJS performance indicators. However, the regulation did not specify the targeting of BPJS. After the regulations undergoing revisions and changes,⁵⁸ it was only in June 2021 through DJSN Regulation No. 2/2021 that it was clearly stated that BPJS Ketenagakerjaan's target was set by DJSN after consultation with the MoE and MoF.

7.7. Summary

This chapter offers the perspectives of policymakers on the implementation of *Jamsostek*, both in response to the perspectives of employers and workers and in their own right. The findings of data analysis reveal a number of key themes, the majority of which matched the initial theoretical framework, and also a new theme, namely the dynamics between government institutions in terms of the power distribution relating to the implementation of *Jamsostek*.

The problem of public awareness of *Jamsostek* is the *first* theme covered in this chapter. According to the respondents, public awareness of *Jamsostek* remains poor. Nonetheless, BPJS Ketenagakerjaan reported that public awareness is relatively high. However, it was generally acknowledged by all respondents that public awareness must be increased, particularly among informal employers and workers.

⁵⁸ DJSN Regulation No. 1/2017 was replaced by Regulation No. 1/2020, which was stipulated in May 2020 before it was replaced by DJSN Regulation No. 2/2021 in June 2021.

Nevertheless, the data analysis reflects the conclusions in Chapter 5 that *Jamsostek* administrators seem to have distinct approaches to the participation of formal and informal workers. It is noted in Chapter 5 that the government tends to prioritise covering formal and large enterprises' employees above informal workers. This chapter demonstrates why BPJS Ketenagakerjaan believes its approach to corporations and formal employees is appropriate. It is not that they do not want to cover informal workers; they simply have not yet discovered the right approach, since informal workers have very different characteristics to formal workers, such as a lack of financial, risk, and insurance literacy.

Regarding the most acceptable strategy to cover informal workers, these government officials had differing opinions. There were two opposing points of view about whether the best method to reach informal workers was to enhance *Jamsostek* awareness or to subsidise *Jamsostek* payments. This second perspective was also impacted by how policymakers assess the ability of informal workers to pay *Jamsostek* contributions. This is explored in the *second* theme, which is workers' financial capability.

Some policymakers argued that the level of *Jamsostek* contributions is low enough for the majority of informal employees to afford. Others contended that the primary reason informal workers do not want to participate is because of financial difficulties. Respondents who hold the latter perspective believe that the government must subsidise the contribution payment for informal workers. Underprivileged workers must be covered by the *Jamsostek* programme for free or at the government's expense. However, this seems to be difficult to manifest since the subsidy is not a

priority for the central government. In this regard, BPJS Ketenagakerjaan has sought other methods to fund the contributions of these informal workers, one of which was the introduction of *GN Lingkaran*. These monies are used to support *Jamsostek* contributions for informal employees who cannot afford them. However, this scheme has garnered some criticism for being unsustainable.

Administrative processes, such as registration, reporting, payment of contributions, and claims for benefits, are the *third* topic brought up in the discussion. As shown in Chapters 5 and 6, administrative processes are one of the primary obstacles that discourage firms and employees from participating in *Jamsostek*. Nonetheless, policymakers do not see this administrative challenge as a major issue. In talks with officials, no major issues were raised about this matter. They believe the administrative procedure has gone well, thus they did not provide any commentary on this topic. However, they acknowledged that informal workers may encounter administrative issues. BPJS Ketenagakerjaan has responded to this situation by establishing PERISAI service agents as an initiative to enhance administrative ease for informal employers and workers. However, due to the high-operating expenses and the inability of these agents to offer administrative services to the participants, this initiative is not regarded as capable of covering informal workers.

The topic of law enforcement is the *fourth* topic emphasised in this chapter. Chapter 5 demonstrates that employers perceive there to be lax enforcement of *Jamsostek* participation compliance by the government. Employers criticised BPJS Ketenagakerjaan's ability to carry out law enforcement measures. They had even

started to wonder if *Jamsostek* participation was required, given they had never seen any repercussions for non-compliance.

In this regard, the findings from the officials' perspectives highlight issues that have rendered enforcement attempts ineffective. There have been problems involving regulations and the allocation of power, which make the law enforcement authority distribution to be more complicated. To operate, law enforcement initiatives need the collaboration of several entities. As administrator of *Jamsostek*, for instance, BPJS Ketenagakerjaan cannot carry out law enforcement measures alone. BPJS Ketenagakerjaan's role is limited to reporting non-compliant enterprises, whereas the Ministry of Employment is responsible for prosecutions. Other authorities, like the police and the Ministry of Law, have a role in the imposition of penalties. Due to the extensive division of powers, it is difficult to carry out comprehensive law enforcement activities, which might give the public the impression that law enforcement attempts for *Jamsostek* non-participation are ineffective.

Emerging as a new theme in the analysis is the issue of inter-institutional interactions. This *fifth* topic is strongly tied to a number of issues that have arisen earlier, including the provision of subsidies for contribution payments, system integration, and law enforcement. This issue dominated the responses from all policymakers interviewed. One issue that often emerged was the inefficient allocation of authority, as mentioned by certain respondents. BPJS Ketenagakerjaan, for instance, has no significant part in law-making. Some respondents see the distribution of power as unjust, since not all agencies with this authority are also

accountable for its implementation. This was seen by the lack of authority-related performance objectives.

In general, the government officials asserted that all Indonesian workers have the right to *Jamsostek* protection. In addition, they recognised that there are still issues that must be addressed collectively, such as raising public awareness, giving subsidies to the working poor, reaching out to informal workers, and enforcing the law.

CHAPTER 8. DISCUSSION AND CONCLUSION

8.1. Introduction

Many governments around the world have introduced social security systems (ILO, 2020). It appears to be one of the mechanisms most countries use to pursue the Sustainable Development Goals (United Nations, 2015). Social security is a human right (United Nations, 1948) and an essential instrument to address contingencies and promote social aims (McKay and Rowlingson, 1999; Millar and Sainsbury, 2018).

Indonesia is committed to making social security more inclusive for all Indonesian people through a social security reform established in 2014. This commitment is reflected in various legislation ranging from the state constitution (UUD 1945) to its derivative laws (e.g. Law No. 40/2004 and Law No. 24/2011), which mention the mandate for state administrators to develop a national social security system to protect all Indonesian people. The national social security programmes are divided into two major groups: national healthcare social security and employment social security (*Jamsostek*), which includes work-related accident, death, old-age, and pension benefits.

This thesis shows that social security participation in Indonesia has not yet reached universal coverage. The participation gap is more visible in the employment social security (*Jamsostek*) programmes than in national healthcare. By the end of 2020, the national health social security programme had covered 82.33% of the Indonesian population (BPJS Kesehatan, 2021). On the other hand, the *Jamsostek* membership

coverage rate had only reached approximately 28.5% by the end of 2020 (see Table 2.12 in Chapter 2).

This situation raises the question of why so many workers are not registered in *Jamsostek*. Meanwhile, the state is mandated by law to provide social security protection to all Indonesians, suggesting that the *Jamsostek* schemes should cover every worker in Indonesia. This is the question that this study is attempting to address. Hence, this study only focuses on *Jamsostek*. In this regard, the primary research question of this thesis is:

What explains the participation rate of Indonesian employment social security (Jamsostek) programmes?

In order to answer the primary question and get a greater understanding of the issue, this research looked at the perspectives of three major groups involved in employment social security: employers, workers, and members of government agencies serving as the *Jamsostek* authorities and policymakers.

Hence, this thesis attempts to explain the non-participatory actions of employers and workers by analysing their perspectives and the perspectives of the members of the government or social security authorities. As a result, the following sub-questions were developed:

1. How do employers perceive and respond to *Jamsostek's* implementation? Why do they register their employees in *Jamsostek* or not?
2. How do employees view and respond to *Jamsostek's* programmes? Why do they or don't they participate in *Jamsostek*?

3. How do members of the government agencies view and interpret the policies and implementation of the *Jamsostek* system?

In order to address these research questions, qualitative data were collected and analysed. This method was considered suitable due to the nature of the study objective, which was to seek a comprehensive understanding of the reasons behind *Jamsostek* non-participation from the perspectives of employers, workers, and the government. The use of this qualitative approach was further strengthened by the fact that no academic studies had particularly and simultaneously investigated the perspectives of the three groups on *Jamsostek* participation. Furthermore, the qualitative method would help to develop a theoretical framework to aid in understanding the problem of non-participation behaviour. Thus, this chapter opens with a short review of the research methods used in constructing this thesis.

Based on the data analysis, this research proposes a theoretical framework to help explain the low level of *Jamsostek* participation. The conclusions of this study's findings are then presented according to this framework's structure; these are separated into three sections: employers' perspectives, employees' perspectives, and government agencies' perspectives. In addition, this chapter provides an overview of the Indonesian welfare model as viewed via the implementation of the social security system. Finally, this study highlights some policy implications for policymakers and administrators and recommends further research ideas for other academics.

8.2. Research methods

8.2.1. Data collection and analysis

As previously indicated, this thesis uses a qualitative approach. Interviews with employers, workers, and government agency officials were conducted to obtain data. According to the developed theoretical framework (see section 3.5.4), the respondents were classified based on a number of key characteristics. Employers were differentiated by formal and informal groupings as well as the size of their firm. In the meantime, workers were categorised according to the type of employment contract, the size of the employer's firm, and whether they were self-employed. The policymakers consisted of officials from government agencies involved in the implementation of *Jamsostek*, such as BPJS Ketenagakerjaan (*Jamsostek* administrator), the Ministry of Employment, and DJSN (National Committee of Social Security). The interviews covered a total of 40 individuals: 12 employers, 21 workers (including self-employed), and 7 government officials.

For the analysis, I used a thematic approach which established codes within the data to seek explanations for non-participation attitudes through the emerging themes. The procedure started with data familiarisation, followed by thematic framework construction and data abstraction and interpretation. The thematic development process was guided by the initial theoretical framework, which resulted from the literature review. On the basis of the results from the data analysis procedure, the initial framework was modified to develop a new framework that explained the low *Jamsostek* participation rate. Chapter 4 presents an overview of these modifications to the framework. This is also discussed briefly in section 8.3 of this chapter.

8.2.2. Study limitations

Data collection in this research was done during the first stages of the COVID-19 pandemic; thus, what were supposed to be face-to-face interviews in Indonesia became long-distance interviews through videoconferencing and telephone. This created several challenges, including non-optimal recruitment of respondents, difficulties in capturing nonverbal responses from interviewees, difficulties in maintaining rapport with respondents for an extended period of time (approximately 1 hour), and difficulties in maintaining interview continuity because the internet connection was occasionally disconnected.

Remote recruitment of respondents has its own set of challenges, such as difficulty in obtaining certain respondents, such as those from large corporations and government officials. Approach particular groups in Indonesian culture necessitates a personal touch, such as face-to-face interactions. Face-to-face meetings, however, were not feasible under COVID-19 circumstances. It was therefore difficult to approach these groups online. As a consequence, not every targeted government official was willing to engage in this research.

This research recruited employers and workers voluntarily, with no restriction over whether or not they were enrolled with *Jamsostek*. I also could not confirm whether they were registered with *Jamsostek*, so their membership status was not a requirement for their participation in the research. This research revealed that all formal employers and employees admitted that they were registered as *Jamsostek* participants, while all informal and self-employed employers and workers were not.

As a result, this study lacks the perspectives of non-participating formal employers and workers.

With the respondent recruitment approach mentioned above, this study did not get respondents from construction and migrant workers. As explained in Chapter 2, even though construction and migrant workers are included in the group of formal workers, they have different characteristics and treatment in their employment social security. This is an exciting aspect, but unfortunately, this study did not cover it.

Despite these constraints, this study still yields meaningful results and can address the research questions posed. As shown in Chapters 5, 6, and 7, this research presents empirical data that give an appropriate overview of the *Jamsostek* participation issue from the perspectives of employers, workers, and the government. In addition, this study successfully explored the perspectives of many policymakers, which are often difficult to get. The discussion of the empirical results is organised in sections 8.4, 8.5, and 8.6 according to an organisational framework (see section 8.3 below).

I also acknowledge another limitation of this study, namely that this research does not adequately address the significance of intersectionality such as social class, age, gender, race, and disability in influencing respondents' (non)participation in *Jamsostek*. As indicated by the objectives and research questions, this thesis focuses on the public's motivations for (non)participation in *Jamsostek* rather than its relationship to their characteristics, such as social class, age, ethnicity, and other characteristics.

Social divisions in the form of formal and informal employment are exemplified in this thesis because the study was designed from the outset to examine the employer and employee perspectives of these two divisions, as well as the government's response to these two divisions. This is mainly driven by the segmentation of *Jamsostek* participants by government agencies, dividing them into formal and informal workers.

Although this study focuses on the formal-informal social divisions, it also touches on the intersectionality issues within it, such as how the majority of informal workers correspond to the low-skilled and low-wage working class (see Section 6.4) and how the majority of informal workers are women who do not work in the formal sector due to division of household management (see Section 5.7.2). Thus, it is true that understanding the issue of intersectionality is crucial, and more research must be conducted on this topic.

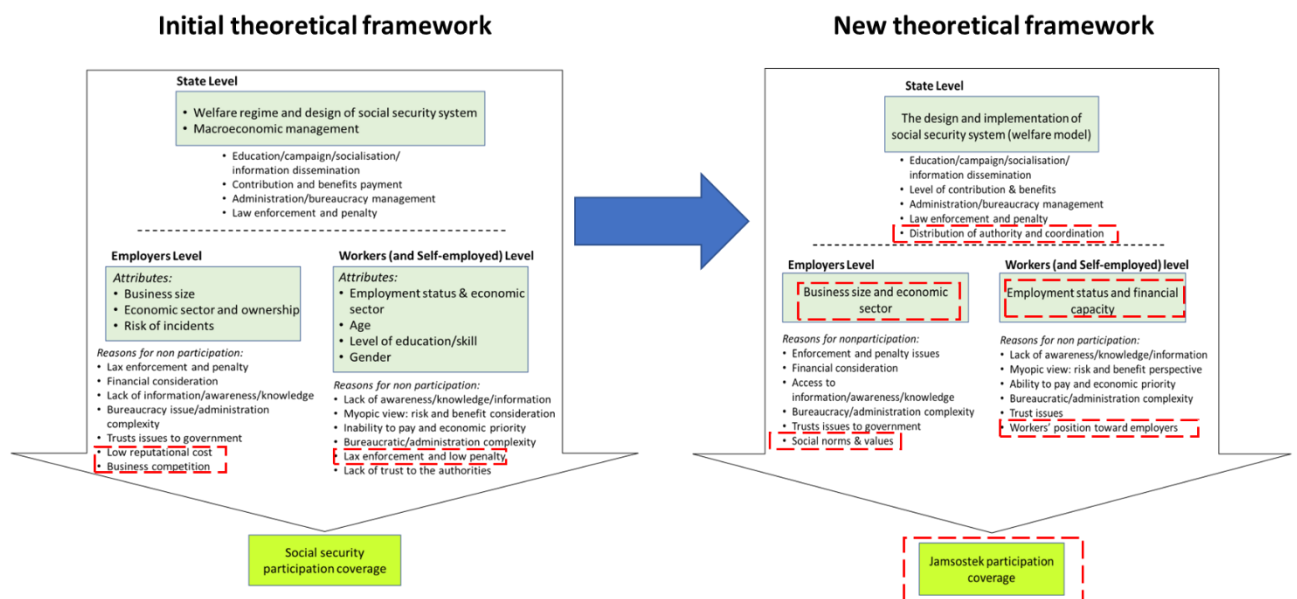
8.3. An organisational framework for explaining *Jamsostek* participation in Indonesia

As shown in Chapter 3, in order to achieve the study aims and answer the research questions, this thesis begins with a literature review of possible explanations for poor social security coverage and non-participation. Based on the existing literature, I developed an initial theoretical framework (see Figure 3.3 in Chapter 3). The initial theoretical framework was then used in the process of data analysis (see section 4.5 in Chapter 4).

However, as seen in section 4.5, the initial framework underwent multiple modifications based on the results of data analysis. Some components of the initial framework were integrated with other components. Some new aspects, namely

‘distribution of authority and inter-institutional coordination’ at the state level, ‘social norms and values’ at the employer level, and ‘workers’ position toward employers’ at the worker level, were added to the framework. Figure 8.1 depicts the transformation of the initial framework into the new framework.

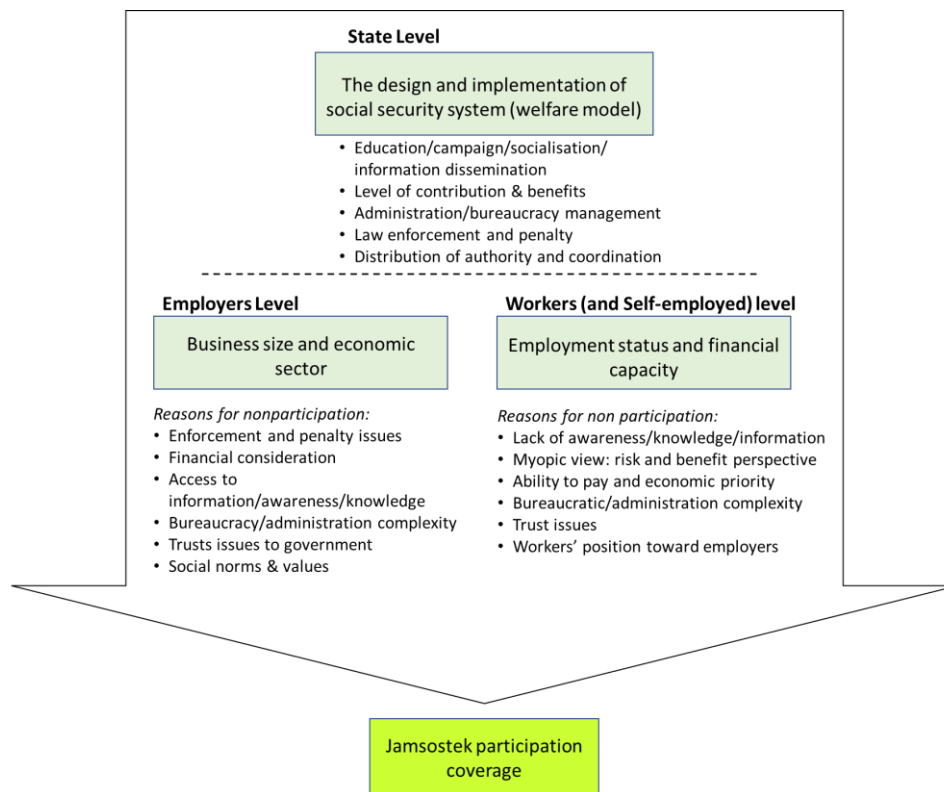
Figure 8.1 Adjustment of the initial theoretical framework



Source: Author's own analysis

As a result, this research proposes a theoretical framework (see Figure 8.2 below) to comprehend the reasons that Indonesian employment social security (*Jamsostek*) has not yet attained universal participation as intended by Indonesia's constitution (UUD 1945). Overall, this framework represents the outcomes of the study's data analysis. In addition to being utilised as an organisational framework to give a structure for presenting the results of the research, this framework may contribute to the existing body of knowledge about the low rate of social security participation in developing nations.

Figure 8.2 Framework for explaining *Jamsostek* participation



The next three sections (8.4, 8.5, and 8.6) summarise the results of this research using the structure of the framework shown in Figure 8.2.

8.4. Employers' perspectives on *Jamsostek* participation

This research demonstrates that, in general, employers' perspectives vary by firm size and economic sector. Chapter 5 illustrates how formal employers' perspectives vary from those of informal employers on almost every area of discussion: law enforcement, financial concerns, campaigns or access to information, administrative difficulties, and social norms.

The issue of law enforcement often came up in interviews with employers. Notably, all formal employers in this research said that they participated in *Jamsostek*

because it is required by law. This is consistent with what has been said in earlier literature (Bailey and Turner, 1997; 2001; McGillivray, 2001; Nyland, Smyth, and Zhu, 2006; Maitra *et al.*, 2007; Nyland, Thomson, and Zhu, 2011; Chen and Wu, 2014; Jansen, 2009; Ronconi, 2010), that law enforcement is one of the most crucial aspects of promoting social security participation.

However, formal employers also questioned the government's commitment to law enforcement. They remarked that many enterprises continue to fail to register their workers with *Jamsostek*. They were upset that the authorities had not taken any actions against non-compliant firms. Compliant companies saw this as unfair since it does not result in a level playing field among businesses. This condition persists in developing countries: as van Ginneken (2010) concludes in his report, the main challenge is a poor compliance culture in developing countries, specifically in Asia and the Pacific. This research adds to the evidence that the low compliance rate may result from ineffective government enforcement.

This perspective on law enforcement was starkly opposed to that of informal employers. Micro and informal employers stated that they believe participation is voluntary and that the *Jamsostek* statute does not apply to them; therefore, they had no criticism of the ineffectiveness of law enforcement actions. This further demonstrates that the government's enforcement measures have not reached informal employers.

The ambiguity of law enforcement allows firms to avoid registering their workers, and they have additional reasons not to participate in *Jamsostek*. One of those reasons is financial considerations. Some studies suggest that financial issues is one of the

main reasons influencing whether or not employers contribute to social security (Bailey and Turner, 1997; 2001; McGillivray, 2001; Ghai, 2015). However, data analysis shows that this was not always the case in the Indonesian context. Formal employers explained that paying the *Jamsostek* contribution is a standard business practice. Hence, they include it in their budgeting plan; they consider it in their business calculations, business model, and cost structure. Employers said some non-compliance is not due to financial incapability but to slack enforcement circumstances, which enable companies to benefit from not paying social security contributions.

Owners of micro and informal businesses also exhibited the capacity to pay *Jamsostek* contributions. Many of them said that *Jamsostek's* contribution rate is still within their budget. Indeed, most of these informal employers did not know the amount of the *Jamsostek* contribution at the beginning of each interview and anticipated that the contributions would be excessive. During the interview, many learned about the rate of contribution. After learning about the contribution rate, practically all informal company owners said the contribution is within their means. Apparently, the contribution payment is not the primary reason for their unwillingness to participate in *Jamsostek*. In fact, this demonstrates that knowledge is more critical than financial concerns.

Regarding the level of knowledge, this study shows that employers had varying degrees of *Jamsostek* knowledge (see Chapter 5). Large-scale formal employers generally had more *Jamsostek* knowledge than micro or informal employers. Large, formal employers were confident with their *Jamsostek* understanding. Employers in

smaller formal firms said they knew only the necessary information but were uncertain about whether it was up to date. In contrast, many informal company owners reported being unaware of *Jamsostek* at all. Indeed, a few employers from informal enterprises acknowledged that they understood a little about *Jamsostek*, but this was due to their prior experience in formal business environments.

Thus, there were indications that access to *Jamsostek* information is concentrated among big and formal corporations. This was supported by responses from a number of large-scale employers (see Chapter 5). The bigger firms were confident since they are often invited to BPJS Ketenagakerjaan events, ensuring that they do not miss out on any information. This contrasts with the responses of some informal employers who had never been visited or exposed to the information.

The next theme that emerged as a reason for non-participation in *Jamsostek* was the perception that participation would involve difficult administrative procedures, such as registration, benefits claiming, or other mandatory reporting processes. However, formal and informal employers had distinct perspectives about administrative tasks and bureaucratic procedures. The majority of formal employers said that they are used to handling administrative work, hence it is okay for them to handle any administrative processes associated with their participation in *Jamsostek*. Therefore, the administrative process is not a concern for formal employers.

On the other hand, administrative complexity is seen as a substantial burden for informal employers. The analysis implies that administration issues are more concerning than the contribution payment. They are worried about getting into trouble and incurring invisible costs as consequences of participating in *Jamsostek*. The

nature of informal business, like a high employee turnover rate, also makes administration tasks harder for them.

Another theme that came into the discussion was trust in the government. Some scholars argue that public trust is essential to public attitudes toward social security (Bailey and Turner, 1997; 2001; Jesse, 1999; McGillivray, 2001; van Oorschot, 2002; Han, 2014; Alkenbrack, Hanson, and Lindelow, 2015). However, this is not confirmed by this research. On the contrary, employers did not seem to view trust as a factor in their participation decisions. Indeed, some employers expressed their distrust in the government and recalled multiple recent instances of fraud and corruption within government entities. Furthermore, employers saw public institutions as less capable of producing superior investment returns than the private sector. Nevertheless, all employer respondents stated they favour the government over the private sector in managing *Jamsostek*. They were all of the opinion that the government should give social security to its citizens. They also acknowledged that the government has a greater potential for financial sustainability than the private sector.

Social norms and values appeared as a new theme in the analysis. This aspect was absent from the initial theoretical framework offered in Chapter 3, although it arose often in interviews, especially with informal employers. In this respect, formal employers did not cite social norms as an important source in relation to *Jamsostek* participation, whereas informal employers quite often did.

When making business decisions, informal business owners often consider their neighbourhood and surroundings. For example, as discussed in Chapter 5, one respondent said that she was hesitant to register her workers in *Jamsostek*

programmes because it would promote social jealousy, which would lead to social unrest. Because the nearby businesses had not registered their workers with *Jamsostek*, other employers can be hostile if she did it herself. She said that adhering to the norms of her surroundings would be a better decision.

The aspect of social norms also included religious beliefs, which is another original finding of this research. Although religious belief was not mentioned frequently, for some respondents it had a substantial role in participation decisions. One respondent clearly refused *Jamsostek* because he believes that it does not follow Islamic law. He urged the government to adjust the implementation of *Jamsostek* to follow Islamic law since Indonesia is a Muslim-majority country. He said that he would not participate in *Jamsostek* as long as there were no obligatory responsibilities or recommendations from his religious leaders.

Gender was also a prevalent social component in the informal business sector. According to the informal employers in this study, women make up the majority of their workforce. However, according to societal norms, women are often not seen as the primary breadwinners in their households. As a consequence, they do not see *Jamsostek* as their responsibility, and their income is not intended for such social insurance spending. Another problem with women's jobs is their inability to remain for the longer term. Upon having a baby, women often cease working. Due to their indefinite employment term, many employers think that registering them in *Jamsostek* would be unfavourable.

The findings above suggest that there are differences in perspectives between employers in formal enterprises and employers in micro or informal firms. All formal

employers in this study admitted that they participate in *Jamsostek* due to their legal obligations. They see law compliance and enforcement as essential aspects of doing business. Meanwhile, these are less essential for informal employer respondents. The most essential aspects affecting informal enterprises' decisions are convenience of administration, supportive social norms/environment, and sufficient information.

8.5. Workers' and self-employed views on *Jamsostek* participation

Similarly to employers, workers' perspectives vary depending on their employment status and the size of the employer's firm. This is shown by the evidence presented in Chapter 6. However, Chapter 6 demonstrates that the viewpoints of formal and informal workers are often not as dissimilar as those of formal and informal employers.

The previous section demonstrates that formal and informal employers have vastly varying levels of knowledge. In contrast, the worker interviews indicate that, in general, employees in both formal and informal enterprises had a low degree of *Jamsostek* knowledge.

Nevertheless, although most formal worker respondents are *Jamsostek* participants, they were unfamiliar with the programmes. They were only aware of their *Jamsostek* registration due to their salary deduction for old-age benefits contributions. Thus, most respondents associated *Jamsostek* only with old-age benefits and not with the other programmes. Respondents stated they did not need to know more about the programmes because a particular unit in the company handles them.

Meanwhile, no informal or self-employed worker respondents were enrolled in *Jamsostek* programmes. Many of them had never even heard of *Jamsostek*. Respondents believed this social insurance was only for formal workers due to a lack of knowledge. They had not considered participating in *Jamsostek*; they believed they were excluded from the system.

However, this study shows that providing information and raising the level of knowledge for informal and self-employed workers does not necessarily make them take an action to register in *Jamsostek*. Some respondents admitted that they had attended an event held by an agency talking about the programmes. Nevertheless, they did not participate because there were no further explanations or follow-ups. They still did not understand how to process payments and complete other administrative tasks.

To some extent, this resonates with Holzmann (2014), who argues that although information is essential for taking action, we need to understand what is the right amount of information and what kind of information is optimal. Nevertheless, he concludes that there is strong agreement that if system information is not present, participation may not occur.

The next theme, the workers' myopic view, is closely related to the workers' level of knowledge. The problem of a myopic view is mentioned in several studies (Bailey and Turner, 1997; 2001; Manchester, 1999; McGillivray, 2001; van Ginneken, 2010; Holzmann, 2014). As described in Chapter 5, employers anticipated that their employees had a short-term perspective and were unlikely to participate in the social security system. Indeed, a few employees, particularly informal workers, stated they

did not believe they would face dangers like accidents or need to save for retirement. However, most worker respondents did not share this perspective. Hence, this study does not support the argument presented in the prior literature. Moreover, many employees believed that social security is beneficial to them.

Another theme that emerged was about workers' financial ability. Employers believed that informal employees did not wish to pay social security because they lacked financial ability. However, informal employees stated the existing rate of contribution is still within their capabilities. Indeed, the informal workers initially viewed the *Jamsostek* contribution as an outlay they could not afford. However, after hearing a general explanation, they stated that it is still within their means. Only one informal worker respondent expressed a direct financial objection to participating in *Jamsostek*. As a result, the amount of the contributions does not appear to be the primary reason that informal workers do not participate in *Jamsostek*. This is contrary to what some authors (Bailey and Turner, 1997; 2001; McGillivray, 2001; Gillion *et al.*, 2000) have said: that most low-income employees cannot afford the social security contribution rate. They estimate that social security contributions comprise a significant share of employees' earnings.

However, administrative procedures were more of a concern for employees. The formal-worker respondents were unconcerned about whether they paid for the *Jamsostek* contribution or not, as long as it was the employer's policy. One of the primary reasons they were registered with *Jamsostek* was because their employer did it on their behalf. They rely on their employers to handle all administrative aspects of *Jamsostek* participation. When asked if they would register if they had to do it

themselves, most respondents said no. Like formal workers, informal workers and self-employed respondents expressed concerns about bureaucratic issues. They expected any services provided by the government agency to be highly bureaucratic.

There are different procedures in the *Jamsostek* system for the registration of formal workers and informal and self-employed workers. Formal workers are registered by their employers, whereas informal workers are encouraged to register themselves. Self-employed people are also expected to do self-registration. As a result, informal workers and self-employed individuals are expected to complete all processes independently. These respondents were concerned about the registration procedures and the flexibility of contribution payments and fund withdrawals. They hoped that their employer, or at least someone else, would manage the administrative processes for registration, payment, and benefit claims so that they would not have to go through it themselves.

Trust is another topic that may influence employees' points of view on *Jamsostek* participation. For formal employees, trust had little effect on *Jamsostek* registration since the choice to participate was mainly in the hands of employers. In contrast, the impact of trust was pronounced among informal workers and self-employed people because the participation decision is in their own hands. Thus, winning the confidence of informal employees and the self-employed would likely influence their participation choice.

The analysis reveals that informal workers usually only trust familiar people for savings and other types of welfare provision. One respondent, for example, said that

he did not hesitate to set aside part of his salary to be saved by his boss, who turned out to be his own family. He did not do it when working for someone else before.

Some informal types of welfare provision were effective because they were managed by people recognised and trusted by the community. Respondents noted that there is a savings programme run by locals in their society, and many people entrust their money to the manager since that individual is well known in the community. It is difficult for them to commit this to someone they do not know, even if they claim to represent government entities like BPJS Ketenagakerjaan. As a result, they recommended that BPJS Ketenagakerjaan employ community figures to gain people's confidence and promote their programmes.

This research adds the workers' position toward their employers as a new theme to the initial framework. Prior studies on social security participation might have overlooked this topic. As demonstrated in Chapter 6, most worker respondents were subservient to their employers. They accepted any of their employers' decisions regarding *Jamsostek* participation. Some formal employees mentioned the incapability of their worker unions. Meanwhile, the informal workers desperately needed their jobs and did not want to get into disputes with their bosses over such decisions. Those that supposed the *Jamsostek* programmes were beneficial to them wanted the government to intervene by either automatically providing the programmes for all citizens or by taking a more active part in enforcement activities so they can get their social security rights.

The above findings imply that employees are not in a position to determine *Jamsostek* participation. Workers are very reliant on the decisions made by their

employers. Unfortunately, the attitudes of these employers are often dissimilar to those of their employees. For instance, while employers believed that their employees would oppose participation owing to myopia and financial difficulties, it turned out that neither of these factors was a problem for the employees.

Another conclusion is that formal employees, informal workers, and self-employed people have differing perspectives on *Jamsostek* participation. Since informal and self-employed workers are expected to register themselves for *Jamsostek*, various problems need to be addressed for them to enrol, including information sufficiency, administrative convenience, and community/family trust.

8.6. The authorities' perspectives and responses to the public views on *Jamsostek* participation

Employers' and workers' perspectives show their expectations for the government or *Jamsostek* administrators, such as the government's commitment to law enforcement, providing adequate information, ease of administration, and providing *Jamsostek* free of charge to all, particularly informal and underprivileged workers. Members of government agencies shared their perspectives on the implementation of *Jamsostek* and their reactions to the perspectives of these employers and employees in this research.

Regarding law enforcement, employers stated that BPJS Ketenagakerjaan, the *Jamsostek* organising authority, has not shown its seriousness. Many enterprises still do not comply, but there is no actual legal action. Meanwhile, some workers expect legal action from the government or BPJS Ketenagakerjaan in order for their employers to register them with *Jamsostek*.

However, it seems that BPJS Ketenagakerjaan, as *Jamsostek* administrator, also has law enforcement limits. Indeed, the execution of this law enforcement action was being debated among government institutions. The respondents from BPJS Ketenagakerjaan argued that they only have minimal authority in enforcing *Jamsostek* participation. Apparently, they can only take persuasive steps such as educating the public about the benefits of participating in *Jamsostek* and suggesting that other institutions support *Jamsostek* enforcement. Meanwhile, coercive measures can only be taken by other institutions that have the authority to take legal steps and sanction non-compliant businesses, such as the Ministry of Employment, the Indonesian National Police, and local governments.

With many entities empowered to impose these penalties, considerable coordination efforts are required. In practice, since the power also exists in each local government, the coordinating effort is considerably greater. This situation implies that in addition to coordinating with authorities at the national level, BPJS Ketenagakerjaan must also collaborate with over 500 local administrations (34 provinces, 416 regencies, and 98 municipalities).

The implementation of *Jamsostek* involves several institutions, each with its own role and authority (see Chapter 7). Most government respondents implied that BPJS Ketenagakerjaan is only an administrator with limited authority. They mentioned that it only has a limited role in law enforcement and also a limited regulatory function. Although BPJS Ketenagakerjaan is in the position to issue regulation products, many essential aspects must be regulated by higher regulations, such as Government Regulations. These higher regulations require approval from the President with

proposals from institutions under the President, such as ministries and other government agencies. Although BPJS Ketenagakerjaan is in a position where it is possible to make this proposal, in practice, the regulation proposals are only submitted by institutions headed by a minister, such as the Ministry of Finance and the Ministry of Employment.

Although several institutions are involved in the implementation of *Jamsostek*, it seems that the demand to increase participation coverage is only directed at BPJS Ketenagakerjaan. Many government respondents pointed to BPJS Ketenagakerjaan as being responsible for the non-optimal *Jamsostek* participation coverage. They expected BPJS Ketenagakerjaan to find breakthroughs and innovations to increase coverage. Further investigation shows that only BPJS Ketenagakerjaan has performance indicators that clearly and directly mention the target of expanding *Jamsostek* membership. Other related institutions do not directly include membership coverage as an indicator of their performance.

The next aspect is public awareness of *Jamsostek*. This research discovered disparities in *Jamsostek* knowledge across employers and employees, which were attributed to different approaches to disseminating information. Respondents from government agencies said that raising the level of public knowledge about *Jamsostek* is problematic since it needs a different approach for various employees. Interestingly, they revealed that BPJS Ketenagakerjaan has a different approach to one particular group, namely large, formal enterprises. They label companies with a large number of workers and contribution payments as 'platinum members'. These members are frequently invited for information updates or to receive awards for being

compliant. BPJS Ketenagakerjaan seems to have found a practical approach to large companies. However, it has not yet found the best approach to informal businesses.

There is an indication that members of the government agencies are reluctant to approach informal businesses. This was reflected in how respondents interpreted certain regulations (Law 40/2004; Law 24/2011; Presidential Regulation No. 109/2013). They interpreted that these laws allow a staging approach to social security participation, starting from large companies and moving on to smaller businesses, although some respondents contested that this interpretation cannot be a solid basis for prioritising the registration of larger firms over smaller ones. Ultimately, those dynamics within government views, to some extent, contribute to the differing levels of knowledge between large companies and smaller ones, including informal businesses.

In the case of informal employers and workers, there were different views between the government respondents on whether raising people's awareness would effectively lead them to participate in *Jamsostek*. Some suggested BPJS Ketenagakerjaan should be more aggressive in increasing awareness and education. In contrast, others preferred a different approach, such as proposing that the central government register and fund *Jamsostek* participation for informal workers, particularly those less able economically (see section 7.3).

Regarding the financial capability of informal workers, the government respondents gave two different views. The first view said that the level of *Jamsostek* contribution payment is affordable for most informal workers. Hence, the government agencies only need to formulate the appropriate strategy to eventually educate these workers

to register in *Jamsostek*. The second view saw informal workers as poor and unable to pay their contribution. With this assumption, it is out of the question to expect them to register voluntarily. Hence, government intervention is necessary, such as registering them into the system and fully subsidising the contribution payment.

However, obtaining government subsidies to pay *Jamsostek* contributions was seen as problematic. Some BPJS Ketenagakerjaan respondents said that they have proposed to the central government subsidies similar to those granted in healthcare social security; however, these proposals have not been approved. As an alternative route, BPJS Ketenagakerjaan carried out an alternative funding strategy called *GN Lingkaran*. This was a kind of crowdfunding that encouraged the public and corporations to help underprivileged workers have social security. However, the performance of this initiative was disputed. Some said it was a successful initiative, while others argued the opposite. Arguably, *GN Lingkaran* had some problems regarding its sustainability and advantages for the workers. There was an indication that the recipients of this programme did not even know they were registered to *Jamsostek*. Hence, they could not get any benefit from their participation and would not continue their contribution payment once the donation period was over.

Members of the government seemed unconcerned about administrative or bureaucratic complexities. They appeared to believe that their administrative system is adequate in general. They conceded that informal workers might still face accessibility issues; however, this had been accommodated by an agency strategy known as PERISAI. Under this strategy, third parties appointed by BPJS Ketenagakerjaan aim to expand the *Jamsostek* service point's presence even in

remote areas. They act as a channel, whose tasks include introducing the *Jamsostek* programmes and administering registration and contribution payments. This system was expected to tackle the issue of administrative difficulties because a PERISAI office is usually located close to the work or residence of informal workers. However, this initiative has faced many challenges because the financial consequences of having this in place were not equal the results in terms of participation and contribution.

According to these findings, coordination between government institutions appears to be the most crucial factor in increasing *Jamsostek* participation. In terms of law enforcement, coordination is required between BPJS Ketenagakerjaan and various institutions with sanctioning functions. In order to register informal and underprivileged workers in the *Jamsostek* system, it is necessary to coordinate with budgeting-related government institutions such as the Ministry of Finance, the Ministry of Employment, and parliament. In order to reach informal and self-employed workers, it is necessary to coordinate the provision of information and administration with agencies related to informal workers such as micro traders, farmers, and fishermen.

These results contribute to our understanding of how the development of social security in developing nations is often impeded or, at the very least, hampered by inadequate inter-institutional connections. In this instance, this study confirms Walker's (2013) assertion that developing countries frequently have limited administrative capacity, so there is still a great need for policy coordination, effective

cross-departmental collaboration, and political influence to secure sufficient resources and overcome competing institutional interests.

8.7. Informality as a prevalent element cutting across the perspectives of all actors

The empirical chapters and this chapter's summary of findings reveal that informality consistently emerged from the perspectives of the three actors (employers, workers, and government). Informality affects how businesses, employees, and the government view *Jamsostek* participation. The situations and perspectives of formal and informal employers about the obligation of *Jamsostek* participation varied. Interestingly, as the provider of *Jamsostek*, the government had differing approaches toward formal and informal workers. Incorporating these conditions into a broader concept indicates how Indonesia's welfare provision model truly operates. Moreover, this research questions the authenticity of the state's constitutional pledge to include all workers, given the findings at the time this study was done.

The research findings indicate that at least four themes cut across all respondent groups' perspectives: law enforcement, information dissemination/campaigns, administrative processes, and contribution payments. This research discovered that the topic of informality formed an underlying aspect that linked the perspectives of the three actor groups across those four topics.

Regarding law enforcement, there were polarised opinions between formal and informal employers. Large, formal employers felt that *Jamsostek* participation was compulsory, whilst informal employers believed they did not need to register their

workers. In this instance, the government acknowledged that the laws and regulations concerning the compulsory participation of all employees, including informal workers, might be implemented with flexibility. Government authorities believed that mandatory participation of micro and informal workers might be enforced gradually. Some government responders even believed that informal workers are not required to register with *Jamsostek* and, hence, participation is optional.

The same is seen with the *Jamsostek* campaign efforts. Employers and workers saw that the government's campaign only approaches formal firms and workers. Evidently, informal employers and employees often felt that the government, particularly BPJS Ketenagakerjaan as the administrator of *Jamsostek*, does not take them seriously. However, Chapter 7 indicates that government authorities actually want *Jamsostek* protection for informal workers. Nevertheless, government respondents acknowledged the difficulties of communicating with this group due to informal workers' lack of knowledge about risk management, finance, and insurance. The government respondents thought they had not yet identified the optimal campaign strategy for informal employers and workers. In this regard, the study contends that this situation is also connected to the interpretation of law enforcement, as discussed in the preceding paragraph, where there is flexibility in the responsibilities of informal workers so that campaign activities directed at this group of workers are not seen as urgent.

Another issue relates to administrative processes. This was seen very differently by formal and informal employers. Formal businesses have no problems with

administrative responsibilities. Conversely, administrative tasks are a major issue for informal businesses. They were concerned that participating in *Jamsostek* would mean they encountered additional problems, such as the need for regular reporting. Coupled with a high employee turnover, informal firms see this extra administrative work as unfavourable compared to the potential advantages. Interestingly, government authorities did not see any administrative issues. They consider the current administrative system reasonably acceptable for all participants, including employers and informal employees. Officials were more concerned about the absence of service points in some places, which makes it harder for informal workers to access *Jamsostek*.

The problem of *Jamsostek* contribution payments was another aspect shared by all respondents. Micro and informal businesses initially saw financial difficulties as impediments to registering with *Jamsostek*. In contrast to their capacity to pay the contribution, this seemed to be a question of literacy or knowledge. After they learned the actual contribution amount, they acknowledged that it was still within their reach. However, many would want *Jamsostek* to be offered for free, just like the government offers free healthcare social security to the poor. However, central government does not seem to favour *Jamsostek* contribution subsidies at this time. Arguably, healthcare social security contribution subsidies are seen as more essential and may at least be deemed to have fulfilled the constitutional requirement to provide social security to all Indonesians.

The inconsistency in the government's attempts to cover these informal workers has rendered non-state or informal welfare services almost inevitable, especially among

the informal working population. According to several interviews, informal workers do not mind whether or not *Jamsostek* covers them because, whilst it is seen as beneficial, it is considered a non-essential aspect of life. Although not covered by *Jamsostek*, the general public has access to some informal welfare support systems, such as support and savings provided by families and communities.

This finding provides further evidence that in developing nations, non-state actors continue to play a crucial role in delivering welfare (Ahmad *et al.*, 1991; van Ginneken, 1999; Gough *et al.*, 2004; Walker, 2013; Papadopoulos and Roumpakis, 2017). Walker (2013) argues that informal economic activity is one of the major barriers to establishing social security systems in emerging nations. In this circumstance, the government's ability to reach them is inadequate. Thus, most individuals have no or limited access to social security outside of what is given by family and friends (Walker, 2013). Pellissery (2013) adds that establishing such risk-mitigating system is a long-term challenge for welfare systems in the Global South.

Nevertheless, the finding about the dominance of informality does not necessarily imply that Indonesia is an 'informal security regime' like that proposed by Gough *et al.* (2004), in which most of the population depends on non-state protection, such as from the community and family, since it is difficult to get government social protection. Even though the research's findings provide a realistic perspective of the Indonesian welfare model, which continues to rely heavily on the family, Indonesia also has plans, rules, and regulations that provide social security for all Indonesians. In this regard, the next section seeks to locate the Indonesian welfare model within the literature's current welfare models.

8.8. Contextualising the Indonesian welfare model

Previous research has not paid much attention to the Indonesian welfare system type. Although several studies do explore various aspects of social security implementation in Indonesia, these were performed before Indonesia's social security reform in 2014. However, certain historical research remains pertinent to the present status of social security. For example, Esmara *et al.* (1986) and Ravallion and Dearden (1988) found that fundamental welfare assistance is strongly anchored in the family and community support network, which functions as an 'informal' social security system.

Such a condition was still found by this research to be prevalent, particularly among the informal worker group. Chapter 6 describes how informal workers continue to depend on the community and family for welfare support. This result gives more evidence for the scholars' arguments that family- and community-based welfare provisions are prevalent characteristics of developing countries (Ahmad *et al.*, 1991; van Ginneken, 1999; Gough *et al.*, 2004; Walker, 2013; Papadopoulos and Roumpakis, 2017). This measure may lead to the recognition of Indonesia as an 'informal security regime', as described by Gough *et al.* (2014). Nevertheless, we must review further aspects of the Indonesian system before concluding this.

Another feature of Indonesia's welfare provision model highlighted by previous literature is that social security tends to focus more on government and large companies' workers (Ramesh, 2000). This condition may still be seen in Indonesia today. As shown in Chapter 2, government employees and military personnel have historically benefited from welfare provision for themselves and their families prior to

the establishment of a formal social security system. Furthermore, this research indicates that workers in large companies are almost all registered in commercial and social insurance programmes, such as *Jamsostek*.

At first sight, this research seems to back up the conclusions of some scholars (Malloy, 1993; Ramesh, 2000; Pérez-Baltodano, 2013) that social policy and welfare systems in developing countries are often clientelistic or residual. They are carried out in response to the power of elites and specific interest groups, rather than broad societal or class demands. However, a closer examination of the evolution of Indonesia's social security system reveals a trend toward extending social protection to all Indonesians. As a result, there has been a shift in Indonesia's welfare system from merely covering certain categories to universal coverage.

Several recent studies also emphasise the transition of welfare provision (Sumarto, 2017; Yuda, 2018; 2019). According to Sumarto (2017), Indonesia has progressed from a productivist model to an informal-liberal regime and is now on its way to becoming an informal-inclusive welfare regime. The residual social policy, quasi-universal social policy, dependence on informal welfare provision, dysfunctional institutions, and democratic state characterise this system. Similarly, Yuda (2018; 2019) anticipates that Indonesia's welfare policy will change from productivist to universalist, but that the process will be hampered by sociopolitical and economic variables along the way. According to Yuda (2018), the state has failed to provide social security for those in informal employment relations.

This research lends credence to the concept that Indonesia's welfare system is developing and advancing toward universalism, as specified in the Indonesian

constitution. This thesis also supports Yuda's (2018; 2019) argument that the process of advancing towards universalism is impeded, such that not everyone has access to social security. Although Yuda (2018; 2019) partially explains why the tendency towards universalism has slowed or ceased, Yuda (2018) only provides probable explanations, such as the fact that the state welfare provision programme is less appealing in comparison to familialism and kinship-based systems. In this sense, this thesis seeks to provide a more detailed explanation of why social security coverage, particularly *Jamsostek* coverage, has not yet reached all Indonesian workers.

According to the statistics presented in this thesis, most workers in Indonesia are informal or self-employed. However, the analysis reveals several obstacles that hinder these employees from enrolling in the *Jamsostek* system. Moreover, the findings indicate that the government's efforts are only effective in encouraging employment social security participation among formal workers, government employees, and armed forces members. Consequently, the informal working population continue to rely on alternative welfare provisions, such as community and family arrangements. By failing to register these workers, the majority of Indonesian workers are not covered by social security.

Referring back to the beginning paragraphs of this section, this situation might result in Indonesia being classified as an 'informal security regime'. However, other circumstances may potentially exhibit clientelistic or residual model characteristics. In addition, Indonesia has also shown its ambition to achieve universal social security coverage, as shown by its constitution. In this regard, this thesis does not attempt to

categorise the Indonesian welfare provision system within a particular welfare regime typology. Nonetheless, this thesis offers a broad overview of the Indonesian model compared to those applicable in other regions.

As an illustration of the welfare regime in Indonesia, Table 8.1 shows a comparison between the welfare system model in Indonesia and the features highlighted in the welfare capitalism models in Esping-Andersen's (1990; 1999) *Three Worlds of Welfare Capitalism*.

Table 8.1 Indonesian welfare model compared to the 'three worlds of welfare capitalism'

	Liberal	Conservative-corporatist	Social-democratic	Indonesia
<i>Role of:</i>				
Family	Marginal	Central	Marginal	Central
Market	Central	Marginal	Marginal	Marginal
State	Marginal	Marginal	Central	Central
<i>Welfare state:</i>				
Dominant locus of solidarity	Market	Family	State	Family and community
Dominant mode of solidarity	Individual	Kinship, corporatism, etatism	Universal	Kinship, corporatism
Degree of de-commodification	Minimal	High	Maximum	Medium

Source: Adapted from Esping-Andersen (1990; 1999)

In Indonesia, it seems that the function of family or kinship in providing social security remains fundamental for the majority of Indonesians. Because only certain groups engage in commercial insurance schemes, either individually or as a benefit from their employers, the market's role is seen as marginal. Meanwhile, the state's role in

providing social safety and welfare could be seen as essential. Indeed, the provision of employment social security by the central government is deemed less than optimum in terms of participation coverage; however, in a broader social protection system including health social security, basic education, and other social assistance, the role of the state is considerable.

8.9. Policy implications and recommendations

As noted throughout this thesis, Indonesian state administrators are mandated by the constitution to manage and provide social security for all Indonesians. However, in order to meet this constitutional duty, state administrators seem to favour health social security coverage above employment social security. This is evident in the provision of health insurance subsidies for the poor, resulting in a substantially higher degree of participation in health social security than in *Jamsostek*. Indeed, many respondents claimed that they are so delighted with having health insurance that they do not consider it necessary to join *Jamsostek*, particularly if they have to pay.

Perhaps the most important question is whether the state still has a duty to offer *Jamsostek* to all workers, whether formal, informal, or self-employed, or if the objective of social security universal coverage has been met by providing health social security to all Indonesians. Indeed, the findings of interviews with government members from BPJS Ketenagakerjaan and other relevant institutions suggest that universal coverage of *Jamsostek* participation remains a state goal; however, the time frame for obtaining universal participation has not been specified.

As a result, BPJS Ketenagakerjaan needs to confirm to the central government whether universal coverage may be achieved via a contribution exemption plan for impoverished workers, similar to the provision of health social security for the underprivileged. If the prospect of providing subsidies for the *Jamsostek* contribution payments does not materialise, BPJS Ketenagakerjaan and all agencies involved in the implementation of *Jamsostek* must collaborate and agree on a target period for reaching universal coverage as well as agreeing on the obligations of each agency, which include work plans, the aim of each institution, and budgets.

In terms of law enforcement, related institutions such as BPJS Ketenagakerjaan, the Ministry of Employment, the Indonesian National Police, the Ministry of Law and Human Rights, and local governments should agree on their roles in encouraging *Jamsostek* participation compliance by formal companies, up to and including legal action and penalties. The government could create a legal instrument that binds all relevant agencies to carry out the agreed-upon functions as a motivation for the fulfilment of these promises.

However, a law enforcement approach is seen as more appropriate to increase participation of formal workers, while informal workers may need other approaches because of their unregulated nature. Thus, determining the right approach to obtain the participation of informal and self-employed workers is crucial, given that the majority of workers in Indonesia fall into this group and are not yet registered with *Jamsostek*. Hence, there is a need for dialogue between BPJS Ketenagakerjaan and informal employers and workers to foster understanding of each group's goals and needs.

Indeed, this research contributes to a better understanding of these parties. According to the findings of this research, at least three issues are of concern to informal workers and the self-employed: the lack of adequate knowledge or education regarding *Jamsostek*; reliance on and trust in the environment/community; and complex administrative procedures.

As per the findings of this research, informal and self-employed workers are expected to voluntarily register in the *Jamsostek* system. However, it is unlikely these employees will do so voluntarily. Although these workers said that they did not participate due to a lack of information, it seems that education does not always motivate them to join. There are more crucial reasons for *Jamsostek* participation such as confidence in the community/familiar figures and the convenience of administrative procedures.

To address these three issues, one approach that might be used is to empower community leaders, local organisations, or other community groups trusted by workers in an area. These individuals or organisations could be provided instructions in order to educate the local working population about job skills and, of course, *Jamsostek* participation. Furthermore, they may be tasked with carrying out certain administrative activities. In this instance, pilot projects in various areas could be carried out to monitor success and assess system improvements before they are rolled out on a broader scale.

As shown in this thesis, informal workers constitute the vast majority of the working population in Indonesia. The fact that these workers are unregulated adds to the difficulty of reaching them. They are not regulated since informal commerce may be

done without the need for a formal company registration procedure. As a result, it is challenging to oversee their business operations, including worker management and social security protection. In a broader sense, the government should consider formalising these informal and micro enterprises so that they may be better governed and supported.

8.10. Contribution of this study and further research

8.10.1. Thesis contributions

The initial goal of this study was to understand why the employment social security participation rate in Indonesia is so low. According to the literature review, this issue is also prevalent in a number of nations, particularly developing countries. Yet, I observe a knowledge gap in which prior research have never thoroughly explored the low participation of employment social security in specific instances in Indonesia. As a result, the primary contribution of this research is to address the knowledge gap.

This research demonstrates that formal and informal employers and workers emphasise different *Jamsostek* non-participation motives. Law uncertainty, lack of knowledge, administrative complexity, unfavourable societal norms, and workers' subservience to employers hindered *Jamsostek* participation. Most responders were unconcerned about contribution levels. The government's efforts to achieve universal coverage have been impeded by the vagueness of regulations, authority, and inter-institution collaboration, leaving most micro and informal workers dependent on non-state welfare support.

The literature review shows that earlier research in this area mainly took a quantitative approach, such as Dartanto *et al.*'s (2016) study, which may be the closest literature to covering social security participation in Indonesia, albeit it only discusses health insurance participation. As a result, I decided to undertake a qualitative study in order to acquire a better understanding by collecting data directly from relevant parties. Hence, the use of a qualitative approach is another contribution of this thesis that adds to the limited of literature on social security in Indonesia.

This study's qualitative approach was carried out by collecting data directly from respondents. Yet, I also use the findings of past research as a reference in building the analysis. The literature studied does identify probable causes for non-participation in social security, but they were not specifically presented in a framework. As a response, I compile those study findings and present them in a diagram that I will refer to as a theoretical framework.

I do not claim that this thesis creates a completely new framework, instead it is based on various earlier research indicated in Chapter 3 as well as empirical data whose process is described in Chapter 4. The elements in this framework are not fundamentally different from earlier literature results, but this thesis presents them in a compact diagram and as an empirical conclusion of the Indonesian instance.

As a result, when compared to earlier studies in other countries, this framework recognizes certain factors that are prominent in Indonesian conditions. Problems with coordination and authority division in state institutions, features of societal norms and values, and workers' weak position in front of their employers are all underlined.

Because this framework is positioned as a specific outcome of the Indonesian situation, it can be used as a tool to explain the reasons behind *Jamsostek's* low participation rate, as well as a reference for policymakers in efforts to enhance *Jamsostek* participation. Indeed, this framework is used to explore and understand Indonesia-specific issues, but it could potentially be applied to other comparable nations.

In general, I believe my study has addressed the primary goal of my thesis, as mentioned in the first paragraph of this section. This thesis has also offered some important contributions along the way. To summarise, the following are some contributions from this thesis:

8.10.1.1. Contribution to the limited study of Indonesian employment social security

This thesis makes several contributions to current academic and policy practice knowledge. The literature review revealed little previous research on employment social security in Indonesia. Whilst some studies examine Indonesian social security in general, the majority were undertaken before the 2014 social security reform (Esmara and Tjiptoherijanto, 1986; Ravallion and Dearden, 1988; Ramesh and Asher, 2000; Arifianto, 2004; Sumarto *et al.*, 2008; Suryahadi, 2014). Meanwhile, recent studies have shown a greater interest in healthcare social security (Aspinall, 2014; Cao, 2016; Dartanto *et al.*, 2016; Jung, 2016). As a result, this thesis contributes to and updates the limited research on employment social security in Indonesia (Tambunan and Purwoko, 2002; Chetty and Looney, 2007) while also supplementing other studies on social protection in Indonesia more generally.

8.10.1.2. *Introducing qualitative approaches to the existing research on Jamsostek*

In the absence of contemporary research on social security in Indonesia, the study undertaken by Dartanto *et al.* (2016) is most likely the academic literature that comes closest to addressing the subject of this thesis. Dartanto *et al.* (2016) explored the variables that influence informal workers' participation in the Indonesian social security system. However, the scope of his study is limited to healthcare social security. In addition, he employs a quantitative method in which he provides only a generic description of the determinants without elaborating on the reasons for non-participation behaviour. In this regard, this thesis is possibly the first academic research to employ a qualitative approach to investigate the reasons behind *Jamsostek's* low participation rate.

8.10.1.3. *Introducing a theoretical framework to explain Jamsostek participation*

This thesis first constructed a theoretical framework (see Figure 3.3 in Chapter 3) based on research on social security avoidance and evasion in different countries and also studies on public views toward welfare systems. Then, through the process of empirical data analysis, a second theoretical framework was developed (see Figure 4.7 in Chapter 4) that aims to provide a frame of reference for comprehending the reasons why Indonesian employment social security (*Jamsostek*) participation rates have fallen short of expectations. Prior to this, no study has presented such a theoretical framework.

8.10.1.4. Understanding the viewpoints of formal and informal employers and workers

Throughout this thesis, it has been shown that formal and informal employers and workers have different perspectives. This is among the most important results of this thesis. The fifth chapter compares the perspectives of formal and informal employers on a variety of issues, including the obligation to participate, degree of knowledge and access to information, perceptions of bureaucratic problems, and concerns about social norms. Subsequently, Chapter 6 illustrates the distinctions between formal and informal/self-employment, particularly in terms of knowledge, administrative responsibilities, and trust concerns. However, these workers evidently share similar views, such as regarding their capacity to pay contributions and their inferior position in relation to their employers. In addition, Chapter 7 reveals that the authorities seem to have divergent approaches to formal and informal employers and workers.

This insight is very valuable for both academic purposes and for practical policy since Indonesia and many other developing nations confront the same circumstance, namely a disproportionately high proportion of informal workers.

8.10.1.5. Collecting primary data on the perspectives of Indonesian officials in the area of social security

This study is also valuable due to the fact that adequate primary data from government authorities in the area of social security were collected. This is challenging to accomplish, particularly for scholars from outside Indonesia. My status as a 'insider researcher' (see section 4.6 of Chapter 4) made it possible for me to collect this data, since I am familiar with and have access to critical individuals who can manage officials' availability schedule.

8.10.2. Further research

More respondents from government agencies with major responsibilities in law enforcement, regulation, and state budgets may be recruited in future research to supplement the limitations of this study. Furthermore, future study might aim to concentrate more on collecting respondents from formal employers and employees who are not yet *Jamsostek* participants to investigate why they have not participated in *Jamsostek*.

Furthermore, as mentioned in the study limitation above (Section 8.2.2), this study did not get respondents from construction and migrant workers in the recruitment process. Further research can also specifically discuss employment social security for workers in this group.

As shown throughout this thesis, informal sector employees predominate in Indonesia, with only a small proportion of them participating in *Jamsostek* programmes. As a result, future research might emphasise workers and employers in the informal sector.

This study illuminates the significance of further investigation on social security for informal workers. This study briefly describes the familial nature of welfare provision for most employees, particularly informal workers. Thus, future research may focus on discussing the familial/clientelist character of Indonesian social welfare. It may further specifically discuss the classification of the Indonesian welfare regime and situate it within the existing literature on welfare models.

The influence of intersectionality in (non)participation in *Jamsostek* might also be the subject of future research. This study only implicitly discusses the characteristics of formal and informal workers. However, this study does not examine the influence of worker characteristics such as age, gender, social class/income level, race, and disability on *Jamsostek's* (non)participation. Thus, there is room for additional research to examine the role of these *intersectionalities*.

Some more specific aspects, such as the influence of gender and religion on their *Jamsostek* participation decisions, may also become the subject of further research. Future research could benefit from concentrating on the role of women in earning and administering family finances, including their decision to participate in or not participate in *Jamsostek* programmes. The influence of religion, particularly Islam, on social security in general and *Jamsostek* could be the subject of further study.

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APPENDICES

Appendix 1. Features of Welfare State Models/Regimes

Authors	Welfare State Model	Main Features
Esping-Andersen (1990)	Liberal	<ul style="list-style-type: none"> - Encourage the market for private welfare scheme - Give minimum state provision or subsidising for the private scheme - Performing means-tested social assistance - Moderate universal transfers - Moderate social insurance programs
	Conservative	<ul style="list-style-type: none"> - Predominated by insurance-based benefits - Corporates and employees (represented by unions) have close relationships in arranging welfare - Understate the existence of private insurance and occupational fringe benefits
	Social Democratic	<ul style="list-style-type: none"> - Hold the principles of universalism and promote de-commodification to all classes - Attempt to build welfare state that provides the highest welfare standards for all of their people, instead of just minimum standard - All social classes are given the same social insurance system, although the benefits vary to their level of earnings
Leibfried (1992)	Rudimentary/Latin Rim	<ul style="list-style-type: none"> - The welfare state as half institutionalized promised - The right to work and welfare is proclaimed, but only implemented partially
Chassard and Quintin (1992)	Bismarckian/Occupational	<ul style="list-style-type: none"> - The objective is income maintenance - Earnings-related benefits - Entitlement based on contribution - Covers employees - Financed by contribution
	Beveridgean/Universalist	<ul style="list-style-type: none"> - The objective is poverty amelioration - Flat-rate benefits - Entitlement based residential or need - Covers entire population - Financed by general taxation
Castles & Mitchell (1991); Kangas (1994)	Radical	<ul style="list-style-type: none"> - Welfare goals of poverty amelioration - Pursue income equality by redistributive instruments rather than high expenditures - Strong labour movement

Ferrera (1996); Bonoli (1997)	Southern/Mediterranean	<ul style="list-style-type: none"> - Cash benefits (especially pension) played a prominent role - Income maintenance is essentially work-related (based on occupational status and previous contributions) - The system of social assistance is weak, offering low levels of protection to citizens not covered by employment-related schemes - Education and healthcare constitute universal entitlements, basically guaranteed to all citizens
Korpi & Palme (1998)	Targeted	<ul style="list-style-type: none"> - The entitlement is based on proven need - Minimum benefit level - Not related to the employer-employee arrangement
	Voluntary subsidised state-	<ul style="list-style-type: none"> - The entitlement is based on membership and contribution - Flat-rate or earnings-related benefit - Not related to the employer-employee arrangement
	Corporatist	<ul style="list-style-type: none"> - The entitlement is based on the occupational category and labour force participation - Earnings-related benefit - Subject to employer-employee arrangement
	Basic Security	<ul style="list-style-type: none"> - The entitlement is based on citizenship or contribution - Flat-rate benefit - Not related to the employer-employee arrangement
	Encompassing	<ul style="list-style-type: none"> - The entitlement is based on citizenship and labour force participation - Flat-rate and earnings-related benefit - Not related to the employer-employee arrangement
Jones (1990); (1993); Ka (1999)	Confucian	<ul style="list-style-type: none"> - Family as the key unit to ensure the social protection of its every member - Conservative corporatism without Western-style worker participation - Subsidiarity without the Church - Solidarity without equality - Laissez-faire without libertarianism - Weak sense of welfare rights
Johnson (1982); Holliday (2000)	Developmentalist/Productivist World of Welfare Capitalism:	Premised on economic growth objectives
	• Facilitative	<ul style="list-style-type: none"> - Social policy is subordinate to economic policy - Minimal social rights - Prioritise market than the state and family in provisioning welfare

	<ul style="list-style-type: none"> • Developmental-universalist 	<ul style="list-style-type: none"> - Social policy is subordinate to economic policy - Limited social rights; extensions linked to productive activity - Reinforcement of the position of productive elements - State underpins market and families with some universal programmes
	<ul style="list-style-type: none"> • Developmental-particularist 	<ul style="list-style-type: none"> - Social policy is subordinate to economic policy - Minimal social rights; forced individual provision linked to productive activity - State directs social welfare activities of families
Walker & Wong (2005); Kwon (1997)	East Asian Welfare State	<ul style="list-style-type: none"> - Low social expenditure - Prioritising education spending - Government as a regulator for social security

Source: Author's own summary

Appendix 2. Transition of Indonesian welfare regime

Period	Type of welfare regime	Main drivers	Central characteristics	Category under meta welfare regime
1945–1966	Precarious	<ul style="list-style-type: none"> • Economic hardship • War • Conflict • Unstable political situation • Less-fruitful informal welfare provision • Absence of international support 	<ul style="list-style-type: none"> • Risky, vulnerable, uncertain • Less-prolific informal welfare provision • Limited public spending on welfare programme • Economic hardship • Unstable political situation • War, confrontation, conflict • Limited support from international community 	Insecurity welfare regime
1966–1998	Productivist	<ul style="list-style-type: none"> • Economic growth • Strong state • Stable political-economic system • Western-oriented financial support 	<ul style="list-style-type: none"> • Residual social policy • Selective social protection programme • Reliance on informal welfare provision • Subordination of social policy to economic growth • Centralistic authoritarian regime 	Informal security welfare regime
1998–2014	Informal-liberal	<ul style="list-style-type: none"> • Asian economic crisis • Global economic pressure • Political-economic liberalization 	<ul style="list-style-type: none"> • Residual social policy • Selective social protection programme • Targeted SSN programme • Reliance on informal welfare provision • Problematic institutional layering • In transition to democratic government 	Informal security welfare regime
2014–present	In transition to informal-inclusive	<ul style="list-style-type: none"> • Social policy ‘universalization’ • Pressures of trade union and civil society organization • Advice of international organization 	<ul style="list-style-type: none"> • Residual social policy • Quasi-universal social policy • Reliance on informal welfare provision • Problematic institutional layering • Democratic state 	Informal security welfare regime

Appendix 3. Work-related accident contribution rate for each industrial groups

Group⁵⁹	Risk Level	Contribution Rate (% of reported earnings)
1	Very low	0.24%
2	Low	0.54%
3	Medium	0.89%
4	High	1.27%
5	Very high	1.74%

⁵⁹ See Government Regulation No. 44/2015 for each industrial group details

Appendix 4. Indonesian Population Projection 2015-2045

Year	Projected population (in million)	Age group composition		
		0-14	15-64	65+
2015	255.59	26.00%	68.30%	5.70%
2016	258.50	25.70%	68.50%	5.90%
2017	261.36	25.40%	68.60%	6.10%
2018	264.16	25.10%	68.60%	6.30%
2019	266.91	24.80%	68.70%	6.50%
2020	269.60	24.50%	68.70%	6.70%
2021	272.25	24.20%	68.80%	7.00%
2022	274.86	24.00%	68.80%	7.30%
2023	277.43	23.70%	68.70%	7.50%
2024	279.97	23.50%	68.70%	7.80%
2025	282.45	23.30%	68.60%	8.10%
2026	284.90	23.10%	68.50%	8.40%
2027	287.29	22.90%	68.40%	8.70%
2028	289.62	22.70%	68.30%	9.00%
2029	291.90	22.50%	68.20%	9.30%
2030	294.12	22.40%	68.00%	9.60%
2031	296.27	22.20%	67.90%	9.90%
2032	298.36	22.10%	67.70%	10.20%
2033	300.38	21.90%	67.50%	10.60%
2034	302.33	21.80%	67.30%	10.90%
2035	304.21	21.70%	67.10%	11.20%
2036	306.02	21.60%	66.90%	11.50%
2037	307.75	21.50%	66.70%	11.90%
2038	309.41	21.40%	66.50%	12.20%
2039	311.00	21.20%	66.30%	12.50%
2040	312.51	21.10%	66.10%	12.80%
2041	313.94	21.00%	65.90%	13.10%
2042	315.30	20.90%	65.70%	13.30%
2043	316.59	20.90%	65.50%	13.60%
2044	317.81	20.80%	65.40%	13.90%
2045	318.96	20.70%	65.20%	14.10%

Appendix 5. Social security participation coverage around the world

Country	Percentage of population covered by at least one social protection benefit (effective coverage)	Effective coverage for older persons: Old-age pensions	Income Level	Mandatory old-age income security programs							
				Contributory		Non-Contributory		Provident funds	Occupational pensions	Individual accounts	
				Flat Rate	Earnings-Related	Means-Tested	Universal				
<i>Northern Africa</i>											
1	Egypt	36.9	37.5	Middle		X	X				
<i>Sub-Saharan Africa</i>											
2	Botswana	15.4	100	Middle				X			
3	Burkina Faso	7.5	2.7	Low		X					
4	Cabo Verde	30.4	85.8	Middle		X	X				
5	Cameroon	8.7	13	Middle		X					
6	Congo	14.1	15	Low		X					
7	Ethiopia	11.6	15.3	Low		X					
8	The Gambia	6.1	17	Low		X			X		
9	Ghana	18.3	16.4	Middle		X				X	
10	Kenya	10.4	24.8	Middle				X	X		X
11	Lesotho	9.2	94	Middle				X			
12	Malawi	21.3	2.3	Low							X
13	Mozambique	10.9	17.3	Low		X	X				
14	Niger	20.6	5.8	Low		X					
15	Nigeria	4.4	7.8	Middle							X
16	South Africa	48	92.6	Middle			X				
17	Uganda	2.9	6.6	Low					X		
18	Zambia	15.3	8.8	Middle		X					
<i>Latin America and the</i>											

Caribbean											
19	Argentina	67	89.3	Middle	X	X	X				
20	Bolivia	40.8	100	Middle				X			X
21	Brazil	59.8	78.3	Middle		X	X				
22	Chile	69.2	78.6	High		X	X				X
23	Colombia	40.8	51.7	Middle		X	X				X
24	Costa Rica	72	68.8	Middle		X	X				X
25	Ecuador	31.7	52	Middle		X	X				
26	Mexico	50.3	64.1	Middle		X	X				X
27	Uruguay	94.5	76.5	High		X	X				X
Northern America											
28	Canada	99.8	100	High		X	X	X			
29	United States	76.1	100	High		X	X				
Eastern Asia											
30	China	63	100	Middle		X	X				X
31	Japan	75.4	100	High	X	X					
32	Korea, Republic of	65.7	77.6	High		X	X				
33	Mongolia	72.4	100	Middle							
South-Eastern Asia											
34	Indonesia		14			X			X		
35	Brunei		81.7					X	X		X
36	Laos		5.6			X					
37	Philippines	47.1	39.8	Middle	X	X	X				
38	Viet Nam	37.9	39.9	Middle		X	X				
Southern Asia											
39	Bangladesh	28.4	33.4	Middle			X				
40	India	19	24.1	Middle		X	X		X		

41	Sri Lanka	30.4	25.2	Middle					X		
Oceania											
42	Australia	82	74.3	High			X	X		X	
43	New Zealand	66.6	100	High			X	X			
Northern, Southern and Western Europe											
44	Austria	98.6	100	High		X	X				
45	Belgium	100	100	High		X	X				
46	Denmark	89.5	100	High		X		X			
47	Estonia	98.4	100	High	X	X	X				X
48	Finland	100	100	High		X	X	X			
49	France	100	100	High		X	X			X	
50	Germany	99.5	100	High		X	X				
51	Ireland	90.1	95.8	High	X		X				
52	Latvia	96.5	100	High		X	X				X
53	Lithuania	92.7	100	High	X	X	X				
54	Netherlands	97.5	100	High	X		X				
55	Norway	95.8	100	High		X		X		X	
56	Portugal	90.2	100	High		X	X				
57	Slovenia	100	100	High		X					
58	Spain	80.9	100	High		X	X				
59	Sweden	100	100	High		X		X			X
60	Switzerland	92.7	100	High	X	X				X	
61	United Kingdom	93.5	100	High	X	X	X				
Eastern Europe											
62	Bulgaria	88.3	100	Middle		X	X				X
63	Czech Republic	88.8	100	High	X	X					
64	Hungary	86.2	100	High		X					
65	Poland	84.9	100	High	X	X					X

66	Romania	95	100	Middle		X					X
67	Russian Federation	90.4	91.2	Middle	X	X	X				X
68	Slovakia	92.1	100	High		X					X
Central and Western Asia											
69	Armenia	47.3	68.5	Middle	X	X	X				X
70	Azerbaijan	40.3	81.1	Middle	X	X	X				
71	Cyprus	61.2	100	High							
72	Georgia	28.6	91.9	Middle				X			X
73	Israel	54.9	99.1	High	X		X				
74	Kazakhstan	100	82.6	Middle		X	X	X			X

Appendix 6. Literature on Reasons for (Non)Participation in Social Security

Authors	Possible Reasons for Participation/Non-participation		
	Employers' perspectives	Workers' perspectives	Related to Government/Policy
Bailey and Turner (1997; 2001)	<ul style="list-style-type: none"> - Lax enforcement & low penalties - Compliance cost - Inflation - Financial distress - Cost-saving - Fraud and corruption - Low reputational cost - Alternative arrangement - Firm size/scale of production 	<ul style="list-style-type: none"> - Myopia - High income tax - Poverty - Financial hardship - Low rate of return - Inflation - Compliance cost (including complex administration) - Lax administration of benefit regulation - Legitimacy - Common practice - Engaged in illegal activities - Inadequate penalties - Easy access to the informal sector 	<ul style="list-style-type: none"> - Enforcement and penalties - Economic condition - Bureaucracy/administration procedure - Institutional trust/legitimacy - Benefits - Contribution payment
McGillivray (2001)	<ul style="list-style-type: none"> - Managing labour cost - Administrative complexity of compliance procedures - Complex and multiple collection agencies - Employer's inadequate record-keeping - Assessment of the risk of being caught and get financial penalty - Employer's reputation 	<ul style="list-style-type: none"> - Contribution rate - Poverty - Temporary financial hardship - The priority of immediate family-related expenses/ current consumption needs - Myopic behaviour - Lack of confidence in the social security scheme - Weak enforcement 	<ul style="list-style-type: none"> - Enforcement and penalties - Bureaucracy/administration procedure - Institutional trust/legitimacy - Contribution rate and payment
Castel and To (2012)	<ul style="list-style-type: none"> - Financial consideration, prefer paying more wage than social security contributions - Law enforcement and information campaign only have marginal influence 	<ul style="list-style-type: none"> - Workers prefer better wage than participating in social security 	-

	on extending coverage		
Gillion, Turner, Bailey & Latulippe (2000)	<ul style="list-style-type: none"> - Cost savings - Fraudulent action by employer - Easy to bribe (conducive to corruption) - Low reputational cost - Alternative arrangement - Small-scale production - Weak legal system 	<p>Workers outside the formal employment & in micro enterprises:</p> <ul style="list-style-type: none"> - High contribution - Do not meet immediate priority needs - Not familiar and distrust to the system - Legal restrictions - Myopia - Inadequate penalties or enforcement - Easy access to informal sector 	<ul style="list-style-type: none"> - See that mandatory contributions are effectively voluntary - Reluctance to levy penalties - Political considerations - Bribery - Division of responsibility - Adequate resources are collected - High collection costs
Mares (2001; 2003)	<ul style="list-style-type: none"> - Size of the firms (larger firms want more control to their employee's social security and have greater capacity to shift the cost to consumers) - Rate of incidents (higher-risk firms prefer social insurance) 		
Nyland, Smyth and Zhu (2006)	<ul style="list-style-type: none"> - Firm size (large firms less likely paying social insurance) - Risk of employees incidents - Ownership type - Compliance enforcement 		- Enforcement and penalties
Maitra et al. (2007)	<ul style="list-style-type: none"> - Law enforcement (audit process) 		- Enforcement and penalties
Nyland, Thomson, and Zhu (2011)	<ul style="list-style-type: none"> - Ineffective/unclear social policy - Lack of playing field - Cost control - Reputation - Employee recruitment and retention - Risk of getting caught - Employees' skill composition - Form of ownership (firms with high state equity are more compliant) 		- Enforcement and penalties

Chen and Wu (2014)	<p>When the enforcement is weak:</p> <ul style="list-style-type: none"> - Agglomeration (positive effect to contribution payment) - Firm size (larger firms comply more) - Wage bills (higher wage reflects negative direction to contribution) - Firm ownership (state and public-owned firms comply more) - Capital labour intensity (negligible) - Enforcement (main factor) - Competition (more competitive industry less likely to comply) 		- Enforcement and penalties
Han (2014)	<ul style="list-style-type: none"> - Firm's historical establishment - Ownership structure (SOEs tend to comply) 		Political condition, institutional trust/legitimacy
Lesnik, Kracun and Jagric (2014)	<ul style="list-style-type: none"> - Law enforcement and penalties - Public awareness 		<ul style="list-style-type: none"> - Law enforcement and penalties - Information dissemination
Alkenbrack, Hanson and Lindelow (2015)	<ul style="list-style-type: none"> - Firm's size (smaller firms least likely to enrol) - Industrial sector - Ownership (privately owned less likely to enrol) - Lack of knowledge - Poor quality of service - The better benefit of own arrangement - Not significantly influenced by financial status 		<ul style="list-style-type: none"> - Bureaucracy/administration procedure - Institutional trust/legitimacy - Benefits - Knowledge dissemination
Ronconi (2010)	<ul style="list-style-type: none"> - Law Enforcement in developing countries receives less attention 		- Enforcement and penalties
Gruber (1997), Nielsen and Smyth (2008), and Melguizo and González-	<p>Financial consideration: The likelihood of shifting the Social security burden to workers/wage</p>		

Páramo (2013)			
Jesse (1999)		<p>Informal employment:</p> <ul style="list-style-type: none"> - High contribution rate that does not meet essential needs - Is not familiar or distrust with the way the statutory social insurance schemes are managed - Alternative informal scheme - Restricted access 	<ul style="list-style-type: none"> - Bureaucracy/administration procedure - Institutional trust/legitimacy - Benefits - Contribution payment - Knowledge dissemination
van Oorschot (2002)		<ul style="list-style-type: none"> - Perceived self-interest (main reason) contributing social security will secure him/her the benefit) - Moral obligation - Empathy and identification with others - Accepted authority <p>Attributes:</p> <ul style="list-style-type: none"> - Gender (men are more motivated) - Age (older people more motivated to contribute) - Education level (higher education are more motivated) - Income level (no direct effect) 	<ul style="list-style-type: none"> - Institutional trust/legitimacy
Auerbach, Genoni and Pagés-Serra (2005)		<ul style="list-style-type: none"> - Enforcement - Myopic view or the benefits are not well targeted to workers' needs <p>Individual attributes:</p> <ul style="list-style-type: none"> - Employment status and industrial sector (informal workers don't have social security) - Education (unskilled workers are less attracted) - Gender (married women less attracted to contribute) 	-

		<ul style="list-style-type: none"> - Earnings (earnings below the minimum wage are less attracted) - Age (young people less attracted) - Size of employer (workers in small firms are less attracted) 	
Hu and Stewart (2009)		<p>Informal workers:</p> <ul style="list-style-type: none"> - Strict criteria of contribution requirement - Lack of knowledge 	<ul style="list-style-type: none"> - Bureaucracy/administration procedure/access for informal - Knowledge dissemination
Jansen (2009)		<ul style="list-style-type: none"> - Probability of detection and Penalty rate - Social security system (Bismarckian stimulates more compliance than Beveridgean system) 	<ul style="list-style-type: none"> - Enforcement and penalties - Bureaucracy/administration procedure
Jung (2012), Esmara, Tjiptoherijanto and Islam (1986), Nootboom (2016)		<p>Informality:</p> <p>Informal cash transfer and social provision</p>	<ul style="list-style-type: none"> - Bureaucracy/administration procedure/access for informal
Nagamine (2013)	Note: it only presents the achievement of MRI programme (social security for micro) and its challenges	<p>Self-employed:</p> <ul style="list-style-type: none"> - Contribution rate - Procedure complexity - Taxation treatment 	<ul style="list-style-type: none"> - Bureaucracy/administration procedure/access for informal
Ghai (2015)		<p>Assumed that Informal workers and self-employed deal with:</p> <ul style="list-style-type: none"> - Absence of near frontline service - Complex administrative procedure - Low income and purchasing power <p>Workers who are more likely without social security:</p> <ul style="list-style-type: none"> - Self-employed - Women - Unskilled workers 	<ul style="list-style-type: none"> - Contribution payment - Bureaucracy/administration procedure/access for informal

		- Informal economy	
Perotti (2012)		- Individual's survival probability - The link between contributions and benefits	- Contribution payment - Benefits
Sieverding (2016)		- Instability of employment and job mobility - Poor understanding of how social insurance works - Initially looked at financial considerations (deducted salary), but eventually more about poor understanding and myopic view (cannot see the benefit in the future) - Trust (no issue on the trust to government)	- Knowledge dissemination
Dartanto et al. (2016)		- Lack of availability of health services (main reasons) - Lack of insurance literacy (main reasons) - Rate of premium/contributions (not primary factor)	-
Liebman and Luttmer (2015)		Delivering the right information is crucial: (They sent an informational brochure and an invitation to a web-tutorial. As a result, it increased labor force participation one year later)	-
Giles et al. (2021)		Lack of information contributes to low rates of social insurance participation among informal sector workers.	-
Manchester (1999)		- Understanding of the link between social security contributions and benefits - The growth rate of benefit is lower than market return in a privatised system - The perceived high discount rate in the future - Myopic view	- Knowledge dissemination - Benefits

	<ul style="list-style-type: none"> - Perceived low-life expectancy 	
van Ginneken (2010)	<ul style="list-style-type: none"> - Stagnant formal economy employment - Informal-economy workers priority do not prioritise pension - Informal-economy workers have limited capacity to contribute to formal social insurance schemes 	<ul style="list-style-type: none"> - Contribution payment - Bureaucracy/administration procedure/access for informal
Enoff (2011)	<p>Element for successful contribution collection:</p> <ul style="list-style-type: none"> - Location of the collection function - Maturity of the programme - The diversity of the labour force - Coordination with other organisations - Evaluation and adjustment of policies - Social security culture in the country 	
Holzmann (2014)	<ul style="list-style-type: none"> - Information limitation - Capability (knowledge, skill and attitude) limitation - Behavioural limitation: <ul style="list-style-type: none"> - Hyperbolic discounting - Procrastination - Status quo bias - Information overload - Use of the heuristic approach - Cognitive bias 	<ul style="list-style-type: none"> - Knowledge dissemination - benefits
International Labour Organization (2017)	<ul style="list-style-type: none"> - Insufficient capacities of enforcement - Unaffordable contribution premium - Insufficient understanding of social insurance - Benefits and needs mismatch - Complicated administrative procedures 	<ul style="list-style-type: none"> - Enforcement and penalties - Contribution payment - Knowledge dissemination - Benefits - Bureaucracy/administration procedure/access for informal

Appendix 7. Interview guide

INTERVIEW GUIDE FOR EMPLOYERS/EMPLOYEES:

OPENING

1. Can you please tell me your position in this firm and how long have you been in this business/firm? How long have you been working here? <i>(for employees)</i>	<input type="checkbox"/>
2. <i>For employees:</i> What is the nature of your employment status? Are you formally/informally hired? <i>(if informal/self-employed, go to the interview guideline for informal & self-employed)</i>	<input type="checkbox"/>
3. Can you please tell me briefly about your firm/ <i>(your employer)</i> ? <i>Probe: Main business? Nett asset? The number of employees? Types of ownership?</i>	<input type="checkbox"/>

KNOWLEDGE ABOUT JAMSOSTEK

1. How well do you know about Jamsostek? <i>Probe: In your perception, what is Jamsostek? What are the programmes? How do you know about it? Have you been approached by government/BPJS Ketenagakerjaan?</i>	<input type="checkbox"/>
	<input type="checkbox"/>

PERCEPTION OF THE LEVEL OF CONTRIBUTIONS AND BENEFITS

1. What's your opinion about the Jamsostek contribution rate? <i>Probe: Too small/big? How does it affect the firm's cost structure?</i>	<input type="checkbox"/>
2. Can you tell me the risks of incidents for your workers <i>(or yourself)</i> that are inherent in the nature of your business? <i>Probe: high/medium/low level?</i>	<input type="checkbox"/>
3. Do you think the risks are well covered by the current Jamsostek schemes? <i>Probe: What do you think about the death benefit? Work-accident benefit? Pension benefit? Old-age benefit?</i>	<input type="checkbox"/>
4. Do you have any memorable experiences related to Jamsostek services/benefits? <i>Probe: Bad/good experience?</i>	<input type="checkbox"/>
5. Do you think the Jamsostek participation will affect you firm's reputation and business competition? <i>Probing: Attracts the best candidates in the labour market?</i>	<input type="checkbox"/>

TRUST TO GOVERNMENT FOR MANAGING JAMSOSTEK & ADMINISTRATION

1. Do you think Jamsostek is best managed by the state, by private sector, or arranged within the firms? <i>Probe: Do you think non-state party can do better? Do you think your firm can provide a better benefit? Are there any trust issues?</i>	<input type="checkbox"/>
	<input type="checkbox"/>
2. Do you think occupational social security should heavily rely on the state/government, market, or firms?	

<i>Probe: Fund management capability?</i>	<input type="checkbox"/>
3. Can you tell me if you have any concerns about Jamsostek services/management? <i>Probe: how do you see the administration processes?</i>	<input type="checkbox"/>

EMPLOYERS' OPINIONS OF SOCIAL SECURITY PARTICIPATION/NON-PARTICIPATION

1. Some firms enrol all of their employees to the program, while some others only enrol part of their employees, and others even do not enrol their employees at all. What do you think about it?	<input type="checkbox"/>
a. Probe: what makes firms decide whether to enrol all of the employees, only a particular position/ part of employees or even do not enrol their employees at all? <i>Law enforcement? Financial considerations? Compliance/ administration costs? Government commitment? Trust/distrust to the government?</i>	<input type="checkbox"/>
b. Probe: Do you think the government/administrator has been fair in treating compliant/non-compliant firms?	<input type="checkbox"/>
2. How about your firm? Why do you think your firm decide to do that (enrolling all employees, partly enrolling, or not enrolling at all)?	<input type="checkbox"/>

WORKERS' OPINIONS OF JAMSOSTEK PARTICIPATION/NON-PARTICIPATION

1. Some firms enrol all of their employees to the programme, while some others only enrol part of their employees, and others even do not enrol their employees at all. What do you think about it? Probe:	<input type="checkbox"/>
- In your opinion, do you think your employer should enrol all of their workers?	<input type="checkbox"/>
- Do you think workers have the right to be enrolled in Jamsostek?	<input type="checkbox"/>
- In your opinion, is it an acceptable practice if firms do not enrol all of their workers in Jamsostek?	<input type="checkbox"/>
- Do you think employees have the power to ask their employer to enrol them in the programmes?	<input type="checkbox"/>
2. How about your employer? Why do you think your firm decide to do that (enrolling all employees, partly enrolling, or not enrolling at all)?	<input type="checkbox"/>
3. Do you think employers who enrol their workers to the Jamsostek will maintain the best employees and attract best candidates?	<input type="checkbox"/>
4. Do you think workers should have all the Jamsostek benefits (death benefit, work-related accident benefit, old-age benefit, and pension)?	<input type="checkbox"/>
5. Do you think employees have the power to ask their employer to enrol them in the program?	<input type="checkbox"/>

SELF-EMPLOYED WORKERS' OPINIONS OF JAMSOSTEK PARTICIPATION/NON-PARTICIPATION

1. Some workers enrol to the occupational social security program, while some others do not enrol. What do you think about it? Probe: In your opinion, what makes people decide whether to enrol or do not enrol to the program? - Is it mainly about cost management/financial condition? Enforcement issues? Compliance cost (time, travel/administrative/other expenses, complex bureaucracy), Government commitment to reach them, Trust/distrust to the government or administrator?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
2. Do you think employees have the power to ask their employer to enrol them in the program?	<input type="checkbox"/>
3. How about you? Why do you enrol/not enrol to the programs? Probe: - Is it not an immediate need? Low/sufficient benefit value compared to the contribution premium? Affordable/unaffordable contribution premium? A mismatch between social security benefits/programs with needs? Insufficient information/understanding?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

CLOSING

1. Overall, do you have any general opinion about what the government or administrator have done in implementing occupational social security?	<input type="checkbox"/>
2. What do you expect to see the occupational social security in the future? What can be improved? Why? How?	<input type="checkbox"/>

Appendix 8. Research Ethics Approval No. ERN_19-0769

Susan Cottam (Research Support Group)

Fri 1/17/2020, 10:33 AM

Karen Rowlingson (Social Policy, Sociology and Criminology); +2 more

Dear Professor Rowlingson

Re: “Indonesian Public Attitudes Towards Occupational Social Security”

Application for Ethical Review ERN_19-0769

Thank you for your application for ethical review for the above project, which has now been reviewed by the Humanities and Social Sciences Ethical Review Committee.

On behalf of the Committee, I am pleased to confirm a favourable ethical opinion for your project, subject to your adherence to the following conditions:

- Please ensure that the health and safety risk assessment for this study is approved as required within your School/College.
- It was noted that data will not be anonymous as is currently stated in the application, but it is understood that it will be anonymised in the research outputs.

For clarification, as long as the conditions above are met and the details of the proposed work do not change, your project has ethics approval and no further action is necessary.

I would like to remind you that any substantive changes to the nature of the study as described in the Application for Ethical Review, and/or any adverse events occurring during the study should be promptly brought to the Committee’s attention by the Principal Investigator and may necessitate further ethical review.

Please also ensure that the relevant requirements within the University’s Code of Practice for Research and the information and guidance provided on the University’s ethics webpages (available at <https://intranet.birmingham.ac.uk/finance/accounting/Research-Support-Group/Research-Ethics/Links-and-Resources.aspx>) are adhered to and referred to in any future applications for ethical review. It is now a requirement on the revised application form (<https://intranet.birmingham.ac.uk/finance/accounting/Research-Support-Group/Research-Ethics/Ethical-Review-Forms.aspx>) to confirm that this guidance has been consulted and is understood, and that it has been taken into account when completing your application for ethical review.

If you require a hard copy of this correspondence, please let me know.

Kind regards

Susan Cottam

Research Ethics Manager

Research Support Group

C Block Dome

Aston Webb Building

University of Birmingham

Edgbaston B15 2TT

Tel: [REDACTED]
[REDACTED]

Web: <https://intranet.birmingham.ac.uk/finance/RSS/Research-Support-Group/Research-Ethics/index.aspx>

Please remember to submit a new [Self-Assessment Form](#) for each new project.

Click [Research Governance](#) for further details regarding the University's Research Governance and Clinical Trials Insurance processes, or email researchgovernance@contacts.bham.ac.uk with any queries relating to research governance.

Appendix 9. Research Ethics Amendment Approval No. ERN_19-0769A

Samantha Waldron (Research Support Services)

Tue 11/3/2020, 8:39 AM

Karen Rowlingson (Social Policy, Sociology and Criminology); +2 more

Dear Professor Karen Rowlingson,

Re: “Indonesian Public Attitudes Toward Occupational Social Security”

Application for Ethical Review ERN_19-0769A

Thank you for your application for ethical review for the above project, which has now been reviewed by the Humanities and Social Sciences Ethical Review Committee.

On behalf of the Committee, I am pleased to confirm a favourable ethical opinion for your project, subject to your adherence to the following conditions:

- Please avoid face-to-face research during the pandemic as much as possible. If face-to-face work is to be undertaken during lockdown, please ensure that a health and safety risk assessment is approved in line with your school/college requirements.

For clarification, as long as the conditions above are met and the details of the proposed work do not change, your project has ethics approval and no further action is necessary.

I would like to remind you that any substantive changes to the nature of the study as described in the Application for Ethical Review, and/or any adverse events occurring during the study should be promptly brought to the Committee’s attention by the Principal Investigator and may necessitate further ethical review.

Please also ensure that the relevant requirements within the University’s Code of Practice for Research and the information and guidance provided on the University’s ethics webpages (available at <https://intranet.birmingham.ac.uk/finance/accounting/Research-Support-Group/Research-Ethics/Links-and-Resources.aspx>) are adhered to and referred to in any future applications for ethical review. It is now a requirement on the revised application form (<https://intranet.birmingham.ac.uk/finance/accounting/Research-Support-Group/Research-Ethics/Ethical-Review-Forms.aspx>) to confirm that this guidance has been consulted and is

understood, and that it has been taken into account when completing your application for ethical review.

If you require a hard copy of this correspondence, please let me know.

Kind regards,

Ms Sam Waldron

Research Ethics Officer

Research Support Group

C Block Dome (room 137)

Aston Webb Building

University of Birmingham

Edgbaston B15 2TT

Tel: [REDACTED] (if you leave a voicemail message and number I will get back to you)

Email: [REDACTED] (also available on Skype for Business)

Appendix 10. Participant information sheet and letter of consent form

Dear Sir or Madam,

My name is Bimo Arianto, and I am a PhD student at the University of Birmingham, United Kingdom. I am researching occupational social security in Indonesia. Particularly, my research is interested in understanding the attitudes of employers and workers toward the social security program. However, to obtain an in-depth understanding of the topic, I would like to conduct interviews with the authorities or administrators as well. Accordingly, it would be greatly appreciated if you could participate in the interview.

I would expect the interview to last approximately 1 to 1.5 hour. You would be requested to give consent to participate in the interview and would have the right not to answer any questions you do not wish to. All the quotes used in the publication will be anonymous.

The information provided by the respondent will be kept in strict confidence. However, a summary of the findings of the research can be shared with the participants. The anonymised interview transcripts will be stored securely in a data management and archiving system provided by the University of Birmingham. The data storage and disposal will follow the policy of the University of Birmingham data management policy.

I want to assure you that this study has been reviewed and received ethics clearance through the Research Ethics Review Committee at The University of Birmingham. Should you have any comments, questions or concerns resulting from your participation in this study, you may contact my lead supervisor Professor Karen Rowlingson (email: [REDACTED] or telephone: [REDACTED])

I look forward to speaking with you and thank you in advance for your assistance in this research project.

Sincerely,

[REDACTED]

Bimo Arianto
PhD Student
Department of Social Policy, Sociology, and Criminology
School of Social Policy
University of Birmingham

Email [REDACTED]

LEMBAR INFORMASI NARASUMBER
PARTICIPANT INFORMATION SHEET

Nama Peneliti : **Bimo Arianto**
Name of Researcher

Lead Supervisor : **Prof. Karen Rowlingson**
Supervisor Utama

Co-Supervisor : **Dr Kelly Hall**
Co-Supervisor

Nama Organisasi : **University of Birmingham**
Name of Organization

Nama Sponsor : **The Indonesian Endowment Fund for Education (LPDP)**
Name of Sponsor

Nama Proyek/Versi : **Indonesian Public Attitudes Toward Occupational Social Security**
Name of Project / Version

Nama saya Bimo Arianto. Saat ini saya tengah menjalankan program Phd di University of Birmingham di UK dengan program Social Policy. Sebagai bagian dari riset Phd, saya akan melakukan rangkaian wawancara. Lembar informasi ini dibuat untuk memberikan informasi mengenai penelitian saya yang dapat digunakan sebagai bahan pertimbangan Anda untuk berpartisipasi sebagai narasumber.

My name is Bimo Arianto. Currently, I am pursuing a PhD program at the School of Social Policy, University of Birmingham, UK. As part of the PhD research, I will conduct a series of interviews. This information sheet is created to provide information about my research that can be used for your consideration to participate as an interviewee.

Tujuan Penelitian / Purpose of the research

Jaminan Sosial Ketenagakerjaan merupakan salah satu program Pemerintah yang bertujuan untuk memberikan perlindungan atas risiko social ekonomi yang menimpa para pekerja dan/atau keluarganya dalam bentuk program jaminan kecelakaan kerja, jaminan kematian, jaminan hari tua, dan jaminan pensiun. Namun, peran dari pemerintah atau administrator juga sangat penting sehingga perspektif dari sisi ini dapat melengkapi pemahaman dalam riset ini. Melalui wawancara saya ingin memahami bagaimana pandangan, pendapat dan pengalaman dari pihak administrator dan pemerintah atas program jaminan sosial ini.

Occupational Social Security is one of the Government programs that is aimed to provide the social protection for workers and/or their families from socio-economic risks in the form of Work-related accident benefit, Death benefit, Old-age benefit, and Pension benefit. However, it is essential to explore the perspectives from the government or administrators about their roles, institutional relations, and the progress of this social security program. Through interviews, I want to understand the views, opinions and experiences from government officers and administrators on this social security program.

Jenis Intervensi / Type of Research Intervention

Penelitian ini akan melibatkan Anda sebagai narasumber. Wawancara akan dilakukan selama kurang lebih 1 – 1.5 jam.

This research will involve you as an interviewee. The interview will be carried out for approximately 1 – 1.5 hours.

Partisipasi Sukarela / Voluntary Participation

Partisipasi Anda dalam penelitian ini sepenuhnya bersifat sukarela. Pilihan Anda tidak akan memberikan dampak apapun kepada pekerjaan Anda. Informasi yang Anda sampaikan tidak akan dikaitkan dengan kinerja Anda maupun kredibilitas institusi tempat dimana Anda bekerja.

Your participation in this research is entirely voluntary. Your choice will not have any effect on your employment. The information you provide has nothing to do with your performance or the credibility of your firm or your work place.

Prosedur / Procedures

Jika Anda setuju untuk menjadi bagian dari penelitian ini, Anda akan diwawancarai sebanyak satu kali. Wawancara akan dilakukan selama 1- 1.5 jam. Seluruh wawancara akan direkam. Selama wawancara saya juga akan menulis catatan untuk memastikan agar tidak ada informasi yang terlupakan. File hasil rekaman wawancara akan disimpan dalam PC, external hardisk, dan penyimpanan data riset pada University of Birmingham dengan kata kunci untuk menjaga keamanannya. Namun jika Anda ingin agar wawancara tidak direkam atau ada bagian dari percakapan yang tidak ingin direkam mohon dapat memberitahu saya sebelum atau pada saat wawancara. Anda boleh tidak menjawab pertanyaan dalam wawancara.

Anda juga dapat memutuskan untuk menarik kembali pernyataan dari wawancara atau memutuskan untuk mengundurkan diri sebagai narasumber dua minggu sejak Anda diwawancarai. Setelah dua minggu, penarikan kembali pernyataan dalam wawancara maupun pengunduran diri tidak memungkinkan karena data kemungkinan sudah diproses atau laporan sudah ditulis.

Wawancara dapat dilakukan di tempat yang nyaman menurut Anda seperti misalnya di ruang publik atau tempat Anda bekerja dengan bertatap muka. Tidak ada orang lain yang akan terlibat dalam wawancara selain Saya dan Anda, kecuali jika Anda ingin ada orang lain yang terlibat.

If you agree to be part of this study, you will be interviewed once. The interview will be conducted for 1 -1.5 hours. All interviews will be recorded. During the interview, I will also write notes to ensure that nothing from the interview is forgotten. The file recorded by the interview will be stored on the PC, external hard disk, and the University of Birmingham's data storage with passwords to maintain the security. But if you want the interview or any part of the interview not to be recorded, please let me know before or during the interview. You may also not answer questions in the interview.

You may decide to withdraw some of your statement or withdraw your participation in this research up to two weeks since the interview. After two weeks, withdrawal and correction statement is not possible because the data may have been processed or the report has been written.

Interviews will be carried out with face-to-face contact at places that you consider conveniences such as at public spaces or your workplace. No one else will be involved in the interview other than me and you, unless if you want someone else to be involved.

Risiko / Risks

Penelitian ini diperkirakan tidak akan mengandung risiko bagi Anda. Meski demikian, ada kemungkinan bahwa dalam wawancara Anda merasa tidak nyaman atas pertanyaan yang saya ajukan. Jika demikian, Anda dapat mengutarakannya dan saya akan melanjutkan ke pertanyaan berikutnya atau mengakhiri wawancara. Durasi wawancara mungkin dapat menimbulkan ketidaknyamanan bagi jadwal Anda namun saya akan fleksibel terkait jadwal wawancara.

This research is not expected to pose any risk to you. However, it is possible that in the interview, you feel uncomfortable about the questions I ask. If so, you can say it and I will proceed to the next question or end the interview. The interview period also may cause inconvenience to your schedule but I will be flexible regarding the interview schedule. However, the interview can take place at a time and location of your choice.

Keuntungan / Benefits

Tidak ada keuntungan langsung bagi Anda dari penelitian ini. Namun demikian partisipasi Anda akan dapat membantu memperkaya pengetahuan khususnya mereka yang terlibat langsung dalam jaminan social ketenagakerjaan. Hasil penelitian ini juga berpotensi untuk menjadi bahan bagi para penyelenggara jaminan sosial dan pembuat kebijakan lainnya untuk memperbaiki system yang ada saat ini.

There is no direct benefit for you from this research. However, your participation will enrich the knowledge of the public attitudes toward occupational social security in Indonesia. The research result might also potentially be an input for the administrator and other policymakers to improve the current system.

Kerahasiaan / Confidentiality

Informasi yang Anda sampaikan akan bersifat rahasia dan akan diproses secara aman. Jika diperlukan, nama samaran akan digunakan sebagai referensi wawancara Anda. Tidak akan ada kutipan langsung dengan nama Anda. Kutipan akan digunakan tanpa nama, namun mungkin perlu menyebutkan status pekerjaan dan karakteristik tempat anda bekerja tanpa menyebutkan nama perusahaan/organisasi anda.

Any information that you provided will be confidential and processed safely. If it is needed, the pseudonym will be used as a reference for your interview. There will be no direct quote with your name. The quote will be used anonymously but might mention your job status and character of your company/organisation without mentioning its name.

Informasi Terkait Hasil / Sharing the Results

Hasil dari penelitian ini akan digunakan untuk thesis Phd. Seluruh maupun sebagian dari penelitian ini dapat dipresentasikan pada konfrensi maupun publikasi. Bila anda memintanya, kesimpulan yang saya dapatkan dari penelitian ini akan saya berikan kepada Anda sebelum dipresentasikan atau dipublikasikan.

The results of this study will be used for PhD thesis. All or part of this research can be presented at conferences and publications. You may ask to receive a summary of the conclusion that I got from this research before being presented or published.

Kontak / Contact

Penelitian ini telah dipelajari dan disetujui oleh komite etik University of Birmingham. Jika Anda punya pertanyaan terkait penelitian ini, anda dapat menghubungi saya:

This study has been reviewed and approved by the University of Birmingham ethics committee. If you have questions regarding this research, you can contact me:

Bimo Arianto


Anda juga dapat menghubungi para supervisor saya:
You can also contact my supervisors:

Karen Rowlingson


dan
and

Kelly Hall


Keluhan terkait partisipasi Anda dalam penelitian ini, dapat disampaikan kepada

Any complaints about your participation in this project may be directed to

The Research Ethics Officer

ethics-queries@contacts.bham.ac.uk


CERTIFICATE OF CONSENT

Nama Narasumber :
Name of interviewee

Judul Penelitian : Indonesian Public Attitudes Toward Occupational Social Security
Title of the project

Nama Peneliti : Bimo Arianto
Researcher's name

Alamat Peneliti : University of Birmingham
 Researcher's contact details Department of Social Policy, Sociology and Criminology
 Muirhead Tower, 7th floor, Room #726
 Edgbaston, Birmingham, United Kingdom, B15 2TT

Saya, yang bertandatangan dibawah ini, menyatakan bahwa:
I, the undersigned, confirm that:

1	Saya telah membaca lembar informasi peserta. Saya memiliki kesempatan untuk bertanya terkait hal tersebut dan setiap pertanyaan telah dijawab dengan memuaskan. <i>I have read the interviewee information sheet. I have had the opportunity to ask questions about it and any questions have been answered to my satisfaction.</i>	<input type="checkbox"/>
2	Saya memahami bahwa partisipasi saya bersifat sukarela dan bahwa saya bebas untuk mengundurkan diri atau menarik sebagian dari pernyataan saya dalam wawancara selambat-lambatnya dua minggu sejak saya diwawancara. <i>I understand that my participation is voluntary and that I am free to withdraw my participation or withdraw some of my statements two weeks after I am interviewed.</i>	<input type="checkbox"/>
3	Saya setuju kutipan anonim dari wawancara saya digunakan dalam thesis, laporan, publikasi and presentasi yang berkaitan dengan penelitian ini. <i>I agree with the use of anonymized quotes from my interview in the thesis, reports, publications, and presentations relating to this study.</i>	<input type="checkbox"/>
4	Saya telah diberikan salinan lembar persetujuan dan lembar informasi narasumber <i>I have been provided with a copy of the consent form and the interviewee information sheet</i>	<input type="checkbox"/>
5	Saya mengerti bahwa data akan disimpan dengan aman sesuai dengan peraturan Universitas Birmingham. <i>I understand that the data will be stored securely according to the regulation of the University of Birmingham</i>	<input type="checkbox"/>
6	Saya setuju bahwa wawancara direkam secara audio. <i>I agree with the interview being audio recorded.</i>	<input type="checkbox"/>
7	Saya ingin menerima salinan ringkasan laporan penelitian ini untuk dikirim ke alamat email saya : <i>I would like to receive a copy of summary of this research report to be sent to my email address :</i>	<input type="checkbox"/>

Nama Narasumber _____ **Tanda tangan Narasumber** _____ **Tanggal** _____
Name of Participant *Signature of Participant* *Date*

Nama Peneliti _____ **Signature of Researcher** _____ **Tanggal** _____
Name of Researcher *Signature of Researcher* *Date*

Appendix 11. Role, Tasks and Authorities of BPJS Ketenagakerjaan

	Description
Role	Administering work-accident benefits, death benefits, pension, and old age benefits programmes
Tasks	<ol style="list-style-type: none"> 1) Performing and/or accepting Participant registration 2) Collecting contribution payment from Participants and Employers; 3) Receiving contribution subsidy from the Government; 4) Managing Social Security Funds for the benefit of Participants; 5) Collecting and managing data of Participants; 6) Paying the benefits and/or financing in-kind services in accordance with the regulations; 7) Providing information regarding the implementation of the Social Security programmes to Participants and the public.
Authority	<ol style="list-style-type: none"> 1) Collecting contribution payment; 2) Investing Social Security Funds; 3) Supervising and examining the compliance of Participants and Employers in fulfilling their social security obligations; 4) Making/terminating agreements/contracts with injury-treatment facilities;

Source: The Social Security Agency Act (Law number 24/2011)

Appendix 12. Hierarchy of Indonesian laws and regulations

