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Article

Labour Protection Policy in a Third World Economy: the Case of Indonesia

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Over the last two decades the Indonesian government has formulated several pieces of legislation intended to provide better protection for workers. These laws include employment protection programs and regulations over industrial relations, thus establishing firmer standards of employment. With the enactment of these laws, it might seem that labour is now considered the most important element in the development process, for the legislation aims to secure and protect the rights of workers. Importantly, with these laws the government has redefined security and protection such that it now embraces workers in the informal sector of the economy. But do these policies meet international welfare standards? This paper describes labour regulations to protect workers' rights and secure decent working conditions, assessing the strengths and weaknesses of the regulatory and policy measures taken to enhance worker welfare.

Keywords: *labour policy, social welfare, social protection, welfare system, employment in Indonesia*

All governments need to establish a regulatory system that will protect the interests of workers and ensure a minimum standard of living for the population at large. Such intervention is particularly important in developing countries, where a power imbalance between workers and employers can often lead to exploitative employment relations (Djankov and Ramalho, 2009, p. 4). More broadly, governments introduce employment protection policies not only to protect workers, but also to ensure their welfare as citizens. Without such regulations workers in developing countries are especially vulnerable to discrimination, low wages, poor workplace health and safety, as well as inadequate compensation if they suffer hardship. Critically, such protection should not only cover workers in the formal sector, but also workers in the informal sector.

In order to provide better protection for labour in Indonesia, it is clear that fundamental policy changes policies have been introduced over the last two decades. The first step taken by the government was to formulate 'Law 13 of 2003 concerning Manpower', a law which emphasized protection of rights and welfare as the most important element of development. The law stipulates that the government will provide social security and protection, and echoes the principles of cooperation and mutual assistance that many have come to consider to define the Indonesian nation. This law also decreed that there would be a minimum wage and equal employment opportunities for all, regardless of gender.

In order to further promote this evolving system of social security, the following year the government issued Law 40 of 2004 establishing the NSSS, 'National Social Security System' (SJSN, *Sistem Jaringan Sosial Nasional*). This law was formulated within the context of a national debate over how to expand the rights of workers. In its annual session of 1-11 August 2002 the People's Consultative Assembly amended Article 34 paragraph (2) of the Indonesian Constitution, which now reads "The State will develop a system of social networking which will engage all citizens and which will empower those who are weak or disabled, according [to principles of] human dignity." This provision thus implies that all Indonesians are entitled to social security, not only civil servants, state officials and the police/military.

This law aimed to provide protection for all workers from risk in the workplace, thus encouraging their motivation and enhancing labour productivity. As detailed below, the state-owned 'Jamsostek' corporation (*Persero Jaminan Sosial Tenaga Kerja,* 'Workers Social Security Corporation') was tasked to provide four social insurance programs to all workers and their families, namely Work Accident Insurance, Death Insurance, Pension

Insurance and Health Care Insurance.

In the following years, however, the government realised that this state corporation lacked the capacity and resources to provide such universal coverage. Nor was there are single ministry that had the the capacity to oversee its operations. As a result, Law 24 of 2011 established an organisation to coordinate these activities, the BPJS (*Badan Penyelenggara Jaminan Sosial*, 'Agency for Administering Social Security'). The BPJS was tasked to provide social insurance programs and, in order to finance the promised benefits, to collect contributions from workers and employers. This 2011 law obliges both workers and their employers to contribute a fixed percentage of wages to the fund, while the government would make contributions to protect the poor. For implementing these laws, the government developed a roadmap for the operation of both NSSS and BPJS programs, which it finalised in 2013, when its implementation began (Muliati, 2013, p. 5). Amongst other changes, implementation involved the transformation of the Jamsostek Corporation into the Labour Division within BPJS (BPJS *Ketenagakerjaan*). Its social security program for labour was maintained, but with improved Pension Insurance and the addition of Retirement Warranty after 1st July 2015, as will be detailed below.

The purpose of this article is to offer a preliminary assessment of the government's success in creating a 'social security net' for all workers with these legislative changes. After describing the difficulties inherent in providing adequate protection for workers in developing countries, the second section provides a snapshot of the context in which such laws were introduced in Indonesia. The middle section then provides a description of the actual measures provided for by the laws, detailing the almost revolutionary aspirations represented by the goals of the 2004 NSSS and 2011 BPJS programs. The fourth and final section offers an assessment of the government's mixed success in implementing its policy objectives. We find that a major obstacle to realising the worthy ideals formulated in the legislation is one common amongst developing countries, namely the gap between policy formulation and implementation. While significant advances have been made, existing policy mechanisms need to be implemented much more rigorously before these policies can effectively meet the needs of Indonesia's workers.

The Challenge of Protecting Labour in Developing Countries

The leading role of the government in both protecting and promoting the social and economic welfare of its working class undoubtedly emerged first in the industrialised societies of the global North. Modern social protection systems were introduced in the late 19th century, when the Bismarckian social welfare system was introduced in Germany. Such systems involve a holistic and coordinated set of programs linking manpower planning, social insurance and labour market governance to welfare program for citizens. When functioning well, such programs prevent workers and their families from experiencing poverty, promote access to basic services, contribute to economic growth by raising labour productivity and also strengthen social relations (Tessier *et al.* 2013). And by the 20th century the welfare state in most of Europe, northern America and Australasia gave priority to questions of social justice: based on the principles of equality of opportunity and the equal distribution of wealth, the state had responsibility for ensuring the welfare of those unable to provide for themselves. The provision of welfare thus came to be seen, primarily, as a set of policies and programmes designed to reduce poverty and protect the population from possible dangers and loss of income.

In recent decades, however, this definition of welfare has itself come to be gradually replaced in both official and activist circles by that of 'social protection'. Defined as efforts to prevent, manage and overcome situations that adversely affect people's well-being, social protection is understood to consist of a set of policies designed to reduce poverty and economic vulnerability by enhancing people's capacity to manage economic and social risks such as unemployment, sickness, disability and old age (World Bank 2001; UNRISD 2010). In other words, the emphasis is less on government-assured welfare than on social autonomy, on empowering the poor and weak to change their own life-conditions.

Generally speaking, a social protection system has two components: 1) social assistance, in the form of in-kind benefits financed by the state through redistributive policies; and 2) social insurance, in the form of social security which relies on insurance (van Ginneken 1999, p. 6, as cited in Torheim 2013, pp. 35-36). The concern for those interested in social justice, however, is that the extension of such schemes to the developing countries of Asia, Latin America and Africa has been very limited. Until recently, only approximately 27 per cent of the global population was covered by adequate social protection schemes (ILO 2014). The remainder is largely unprotected, especially informal sector workers in almost all low-income countries, who remain vulnerable to risks associated with their work (Holmes and Scott 2016, p. iv). They typically have inadequate or no protection in terms of labour standards and rights, and poor representation in industrial relations negotiations (Arza et al. 2012; Tessier et al. 2013). Due to weak government regulations and their low financial capacity, most workers therefore cannot protect themselves against risks or uncertainties associated with their work, such as late payments, work safety or work-related injuries. More importantly and often more tragically, workers who are not covered by formal labour agreements often have limited capacities to cope with the common contingencies of illness, disability, property loss or death (Chen 2012).

At least partly as a result of such difficulties, a number of developing countries have attempted to introduce employment policies to extend labour protection to the informal sector. Countries as diverse as Namibia, Chile, South Africa, China, Rwanda and Vietnam have extended social insurance schemes to improve work conditions for informal sector workers, changes which now entitle them to unemployment insurance and maternity provision (*The Economist* September 8, 2012). Perhaps the major problem faced by these countries in realising these improvements has been the limited capacity of their bureaucracies to implement policy. Yet despite the problems which remain, some significant progress has been made, with increasing numbers of workers in these countries now covered by effective social protection measures (Holmes and Scott 2016, pp. 1-2). Indeed, a recent study relating labour conditions to state capacity in 34 developing countries finds that the two phenomena are interconnected in an interesting way, for in developing economies state capacity actually improves if labour is better represented in the political system. In other words, in internationalized developing countries such as Indonesia, democratization and the empowerment of labour often precede improvements in state capacity (Berliner *et al.* 2015).

Measures to improve work conditions similar to those introduced in the countries mentioned above have been made in Indonesia, with mixed success. Before describing these measures more closely, it may be useful to first provide a brief overview of the context in which they were introduced.

The Workforce in Indonesia

The workforce in Indonesia faces various predicaments, mainly related to the

TABLE 1
PERCENTAGE OF WORKING POPULATION AGED 15 AND OLDER BASED ON MAIN EMPLOYMENT BY SECTOR 2017

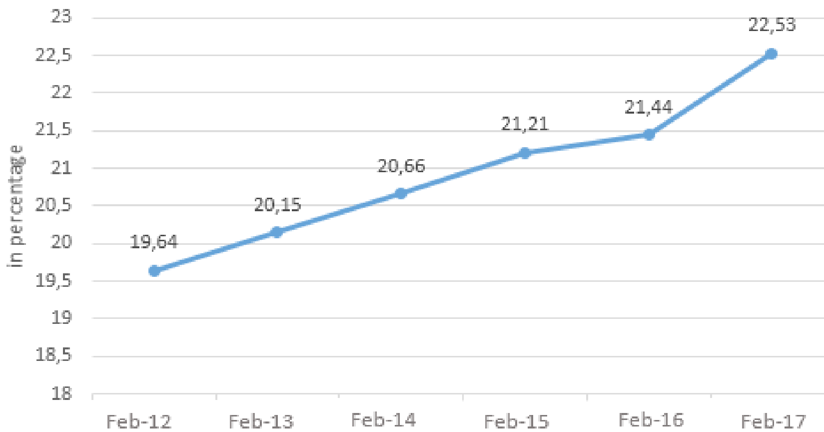
Type of Employment	February 2017 (%)
Agriculture	31.86
Manufacture	20.49
-Mining	1.1
-Industry	13.31
-Electricity, Gas, dan Water	0.33
-Construction	5.75
Service	47.65
-Trading	23.37
-Transportation	4.57
-Finance	2.89
-Other Services	16.82

SOURCE.—BPS (2017a)

nation's huge population and relatively limited employment opportunities. According to the 2017 population census, Indonesia's population of 262 million people makes it the fourth-largest nation in the world, after China, India and the United States. And every year the workforce expands by 3 million. What sector of the economy is likely to absorb these new workers? How many will find full-time work? How many will find salaried employment? Conversely, how many will need to survive in the informal sector, that huge part of the economy which consists of uncertain employment and prospects – and the sector that has traditionally supported the vast majority of the Indonesian workforce (Cuevas *et al.* 2009)

In sectoral terms, employment is generally and increasingly dominated by the services sector (48 per cent), followed by agriculture (32 per cent) and manufacturing (21 per cent). When further broken down, the largest contributors to services are trade (23.4 per cent) and other services (16.9 per cent). According to the categories used by Indonesia's Central Bureau of Statistics, in the manufacturing sector the major contributors are industry (13.3 per cent) and construction (5.8 per cent) (See Table 1).

This sectoral distribution of the workforce, however, of itself, tells us little about the conditions under which workers operate. We therefore need to look at how the numbers of full-time and part-time employed have grown in



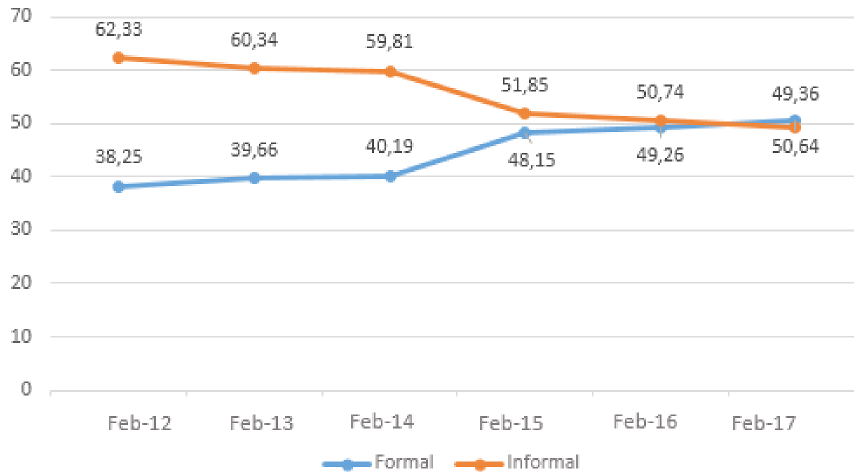
Source.—BPS (2017b)

Fig. 1.—Percentage of the [Formal] Workforce in Part-Time Employment, 2012-2017

recent decades.

The existence of large numbers of workers without sufficient work opportunities naturally leads to high unemployment. Currently, the number of unemployed has reached 7 million people, representing 5.3 per cent of the total labour force (BPS 2017b). But this figure provides no guide to the number of workers who are underemployed, for many workers are either unable to find or can afford full-time employment; many therefore work on a part-time basis. The National Labour Survey (Sakernas) of February 2017 shows that the share of part-time workers in the formal sector reached 22.5 per cent, meaning that almost one-quarter of those who are formally employed work less than 35 hours per week.

Related to the reality that almost one in three workers is either unemployed or underemployed, the 'informal sector' remains a major source of income generation. It is true that the formal sector has grown in recent years. As Figure 2 shows, formal agreements with workers are gradually becoming more important – and the number of workers covered by formal agreements may even shade the numbers of informal workers. Nevertheless, 63.1 million Indonesians or about 51 per cent of the workforce is still employed in the informal sector (BPS 2017b). And, traditionally, employment creation in the formal sector has not been sufficient to absorb the supply of new workers entering the labour market each year, so a huge percentage of the population acquire jobs in the informal sector. Moreover,



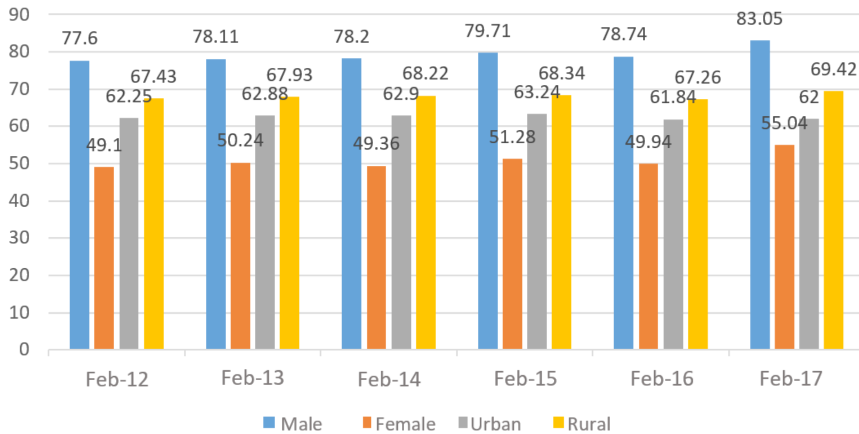
SOURCE.—BPS (2012-2017)

FIG. 2.—Percentage of Formal/Informal Workers

the informal sector has played a major role historically in cushioning society against external shocks. That the Indonesian economy did not collapse following the crises of 1997-98 and 2008-09 was at least partly due to the resilience of the informal sector in maintaining the economy's growth.

Turning now to a gender perspective, there are considerable differences in the extent to which men and women participate in the labour force. In general, the labour participation rate of males is higher than those of females; by February 2017 it was 83 per cent, while that for females was only 55 per cent. Meanwhile, in terms of regional differences, rural areas tended to create more jobs than do urban areas. In February 2017 the percentage of those employed in the total population in urban areas was 62 per cent, whereas in rural areas it was over 69 per cent. These comparisons thus suggest that men in rural areas are somewhat more likely to be in full-time employment.

The most significant contextual factor influencing the debate over labour protection, however, involves the classification of the workforce according to employment status. As indicated in Table 2, the working population is dominated by those who are self-employed (48 per cent), followed by salaried workers (39 per cent) and those working in the household sector, usually in small-scale family-owned operations (14 per cent). At this point it is worth noting that if the categories of the self-employed and those working in the household sector are combined, then the



Source.—BPS (2012-2017)

Fig. 3.—Employment to Population Ratio Based on Gender and Residency 2015-2017

TABLE 2
Percentage of Working Population Aged 15 and Older Based on Main Employment Status, February 2017

Status of Main Occupation	%
Salaried workers	38.4
Self-employed	47.8
Businesspeople	3.3
Independent businesspeople helped by impermanent labour	34.3
Freelance	10.1
Workers in household sector	13.8
Total	100.00

Source.—BPS (2017a)

total of 61.6 per cent approximates the size of the informal sector, for they are not included in labour protection schemes.

This overview of the Indonesian labour market has thus identified a number of factors which need to take into account in any policy initiative aimed at providing social protection for workers. Firstly, the workforce is spread across all sectors, but with almost half working in 'services', particularly small-scale trade. Second, policy-makers need to be cognisant of the fact that much of the workforce is either unemployed or underemployed, with the associated possibility that those who remain in full-time employment are vulnerable to a potential loss of income. Third, any policy initiatives to protect workers must also pay attention to the vast informal sector. Fourth, it is vital that policies aimed at worker protection give particular attention to the large number of female workers, who have in recent decades proved most vulnerable to maltreatment and/or exploitation. Finally, and perhaps most importantly, labour reforms must extend beyond improving the conditions of salaried workers, who constitute only a minority of the Indonesian workforce.

New Labour Protection Policies

As in any country, labour disputes in Indonesia reflect the contradictory interests of workers and employers. It is in the interests of workers to earn a decent income and welfare, whereas employers wish to reduce production costs in order to optimize profits. In the new democratic era, the government of Indonesia has sought to create neutral policies that will accommodate the interests of both. Thus the new Labour Law (No. 13 of 2003) allowed employers to outsource, but also defined workers' rights more finely. The motive behind this legislation was to maintain an attractive investment climate for entrepreneurs, but also providing better protection for workers.

Prior to the formulation of Law 13 in 2003 Indonesian workers had grossly inadequate access to social protection and little job security, leaving them unable to guarantee a reliable standard of living. According to the development ideas that dominated during Suharto's rule, workers' rights were secondary to those of industry and those who held political power. If workers attempted to assert their rights, they often faced military intervention army (see for example Törnquist 2004). With living conditions exacerbated by low wages, workers not only had difficulties in meeting daily living expenses such as school fees and health services, but also in dealing with unexpected events such as illness, work accidents or family deaths.

This absence of social protection for workers and a proper social security system is best explained in terms of the broader social and political context. In authoritarian political systems, leaders might not be interested to provide social securtity system for ordinary citizens. Their attention focuses on regime maintainance rather than the welfare of citizens. When such services were available for the ordinary people, the services tend to be provided as a means for obtaining immediate political advantage or for preventing insurgencies (Haggard and Kaufmann 2008, p. 117). A study conducted by Ramesh and Asher (2000, p. 4) has thus found that Southeast Asian governments tend to place emphasis on health and education rather than on social security, for it is these sectors that satisfy the demands of their socio-political bases. In the Indonesian context, social policy under Suharto's authoritarian rule thus focused primarily on the welfare of civil and military public servants (Torheim 2013, p. 13). While at the same time, the government only offered piecemeal charity programs to improve the wellbeing of ordinary citizens.

Taking into account the problems of Indonesian workers in the absence of a comprehensive social welfare system, the government's recent attempts to provide social security protection for both formal and informal workers were remarkably ambitious. The scheme rested on the compulsory social insurance mechanism outlined in Law no. 40 of 2004 establishing the National Social Security System (NSSS). As mentioned above, the NSSS sought to guarantee the basic needs for every paid-up member in the event of illness, work-related accidents, old age, retirement or death, or any other factor that may result in the loss of income. For implementation of the labour protection aspect of the law, it aimed to 1) employ manpower optimally and humanely; 2) create an even distribution of employment opportunities and thus provide a labour force which fulfills the needs of national and regional development; 3) provide worker protection; and 4) improve the welfare of workers and their families (Hasoloan 2006, p. 7).

All the social security schemes coordinated by the Labour Division of the BPJS started operating ten years later, on 1st July 2015. For implementation of the new pension security scheme the government issued two PP (*Peraturan Pemerintah*, 'Government Regulations'): PP no. 45 of 2015 (for Management of the Pension Security Program) and PP no 46 of 2015 (for Management of the Old Age Security Program). The regulations oblige all employees of firms with 10 or more workers or with a monthly payroll of at least Rp. 1 million to become BPJS members. The regulations also stipulate that employees with contracts of less than three months are still covered – although in this case for death benefits only.

These regulations thus emphasize the benefits of becoming a NSSS member, including insurance against a wide range of events that may result in lost or reduced income, such as illness, work-related accident or death, thus ensuring that the basic needs of participants and their family members are met. For example, a worker who falls ill can seek treatment without burdening relatives. And upon retirement workers do not necessarily have to rely on their children and/or siblings to meet their living expenses. In short, the social security program is an effort to enable a person to live independently, under any circumstances.

The first article in Law no. 40 of 2004 stipulated that all workers in Indonesia must be participants in the Employment Social Security scheme managed by BPJS, including foreigners who have worked for a minimum period of six months and who have paid their dues. The participants include: a) Salaried Workers, namely any person who works for either a private or state employer, or other individuals who receive a salary or wage, including foreigners working in Indonesia for at least 6 (six) months; and b) Non-salaried workers (*Pekerja Bukan Penerima Upah*--PBPU), namely people who are self-employed. The employer would pay the insurance fee for each wage earner, which would be determined based on the level of risk in the working environment; the amount would be re-evaluated every two years. As subsequently determined by PP 44 of 2015, any benefits flowing from the program to participants in the event of work-related accidents would be paid in the form of cash and/or health services.

Benefits include:
- work-related accident benefit
- provident fund benefit
- pension benefit, and
- death benefit.

Work-related injury/ accident benefit

Work-related accident benefit provides protection from the risks of accidents occuring within the work environment, including accidents on the way to or from home to work, and diseases caused by the work environment. Benefits include:

- **Health services** (care and treatment): basic medical check-up, hospitalization with first-class treatment room, intensive care, diagnostic support, treatment with generic or branded drugs (patents), special services, medical devices and implants, medical doctor services, surgery, blood transfusion; and medical rehabilitation. Health services are provided without ceilings, through health service providers licensed under BPJS. Reimbursement of care and treatment are also possible, but only apply to remote areas.

- **Replacement of transportation costs**. The participants may receive a transportation allowance to the hospital and/or home, including first aid costs: Land/river/lake transport is covered to a maximum of Rp 1,000,000 (one million rupiah). Sea transport is covered to a maximum of Rp 1,500,000 (one and a half million rupiah). Air transport is covered to a maximum of Rp 2,500,000 (two and a half million rupiah). Transportation costs for accidents using more than one type of transport are covered, as long as receipts are provided.
- **Temporary inability to work**. Those who are unable to work temporarily are covered as follows: The first 6 months at 100 per cent of wages, the second (six) months at 75 per cent, after the third 6 (six) months period the participant is given 50 per cent of wages. The monies are paid to the employer to cover the wages of the workers for as long as the participant cannot go to work, until the worker recovers, suffers from permanent partial anatomical disability or function disability, or or passes away, based on a reference from the treating or advisory doctor.
- **Disability Compensation**. Workers facing disability (partial disability, partial function disability, and total/permanent disability) can receive compensation according to a formula developed by BPJS. The type and percentage of disability is determined by the physician or advisory doctor appointed by the Ministry of Manpower, after the participant has finished his/her treatment.
- **Death Compensation and Funeral Expanses**. Every worker may receive death compensation for 60 per cent x 80 monthly wages, as well as funeral expanses of up to Rp. 3,000,000 (three million rupiah). They are also entitled to receive periodic benefits for 24 months, which can be paid either immediately (if the heirs so choose) or over 24 months at Rp. 200,000 (= Rp 4,800,000).
- **Education scholarships**. The family of every participant who has passed away or suffered permanent total disability due to a work accident is given a scholarship for the education of their children of Rp. 12,000,000 for each participant.

Providential Fund Benefits

Providential fund benefits provide income certainty once workers reach the age of 56. This benefit is given in order to cope with problems when people are no longer able to work, especially for those with low incomes. The benefit is in the form of cash from accumulated contributions plus capital gains, which is paid once only after the participant turns 56, passes away, or suffers permanent total disability.

Old Age Pension

The pension aims to maintain a decent standard of living for participants and/or their heirs by providing income after they are no longer working. It is a social security which provides an income after the participant reaches retirement age, passes away, or suffers permanent total disability. The formula is 1 per cent multiplied by the contribution period, divided by 12 months, then multiplied by the average annual wage during the contribution period, divided by 12. The benefit is paid for the first time once the supporting document is completed, and then monthly. If the participant is of the pension age but is still working, the participant can choose to receive the benefit when s/he reaches pension age or completely retires, to a maximum of three years after reaching pension age.

PP no. 45 and no. 46 of 2015 stipulate that the contribution to the Pension Program is 3 per cent of average monthly salary, ie. both base salary and fixed allowances received in the last month. For salary earners, a contribution is paid jointly by the employer (2 per cent) and the employee (1 per cent). The BPJS reviews the contribution within at least 3 years after the first contribution, and the employer's contribution may be gradually increased, up to 8 per cent. The employee's contribution is deducted by the employer from the his/her monthly salary, which for 2015 was limited to a maximum salary of Rp. seven million. This salary limit for contributions is reevaluated every year.

The old age pension consists of cash given every month to participants who have retired, have permanent total disability, or are heirs of participants who have passed away. Benefits include:

- **Old age pension**. This benefit is a monthly payment provided to participants who have fulfilled the minimum contribution time of 15 years (or 180 months), paid once the participant is of pension age and until he/she passes away;
- **Disability pension**. This is a monthly cash payment given to participants following incidents causing permanent total disability such that the participant cannot work. It is provided until the participant passes away or begins to work again;

- **Widow/widowers pension**. This benefit is a monthly cash payment given to the widow/widower who is the heir of someone registered with BPJS.
- **Childrens Pension**. This benefit is in the form of monthly cash payments for children who hae become the participants' heirs (maximum of 2 children), paid until the children reach 23 years of age, gain a job, or are married.
- **Parents pension**. This benefit is given to the parents of a participant who passes away leaving no wife, husband or child. Payment ceases upon the demise of the parents.
- **Lump-sum Benefit**. The participant/heir can get a lump-sum payment of his/her accumulated contribution plus its investment gain, without monthly pension benefits, under one of the following conditions:
  - The participant reaches pension age but does not fulfil the minimum contribution period of 15 years.
  - The participant suffers permanent total disability after an incident that happened before the minimum of 1 month after becoming a participant. The minimum density rate is 80 per cent.
  - The participant passed away and does not fulfil the minimum participation period of 1 year. The minimum density rate is 80 per cent.

Death Benefit

This program gives a cash benefit to the participant's beneficiary when the he/she has passed away (but not because of a work accident). The benefit is paid to the participant's heir, and must be claimed within 6 month's of death. It consists of:

- Compensation of Rp 16,200,000;
- Periodic compensation of 24 x Rp 200,000 = Rp 4,800,000, which can be paid once only (if the heir so chooses);
- Funeral costs of Rp. three million; and
- Children education scholarships are given to children of any participant who passes away, with a minimum contribution period of five years. Children will be paid Rp twelve million for each participant.

Policy Implementation: an Assessment

Taken together, the 2003, 2004 and 2011 laws constitute a remarkable advance, providing a framework that opens the prospect for greatly improved social protection. The laws not only improve security for workers, but also promise a better scheme for ensuring the welfare of their families. Taking into account the generally poor working conditions mentioned above, which often leave workers unable to make contributions towards their own social security, these laws have also enabled the government to make a significant contribution towards improving the welfare of the poor. In the political context in which Indonesia's transition to democracy has consolidated over the last two decades, the significance of these measures to protect labour rights is that they indicate there remains a strong commitment within many sectors of government and society to fill out the aspirations for social justice proclaimed in the Constitution.

Implementation of these policies, however, has faced multiple problems. One reason for only partial policy implementation has been a long delay between the promulgation of the laws and their enabling regulations. Such a delay meant that the social environment was no longer consistent with that which applied when the original law was passed. For example, PP 45 and PP 46 of 2015 were enacted over 10 years after the formulation of Law 40 of 2004, when economic conditions (inflation, economic growth, commodity prices) were all quite different. Accordingly, these implementing regulations have had to be adjusted to the changed conditions. Indeed, the BPJS law is still waiting for the issuance of a number of separate enabling regulations and decrees.

The delay in implementation also flows from the technical complexity of amalgamating four existing social security providers (PT Askes, PT Asabri, PT Jamsostek and PT Taspen) into the one institution, namely BPJS. Although worker organisations have constantly pressured the parliament for implementation of the legislation and the government has developed such a road map, the merger has been difficult in practice because each existing institution has a different orientation, internal governance, fee scheme and operating standards. Apart from these technical difficulties, another inhibiting factor has been disagreement among parliamentary political parties about how social security should be financed. Parties such as the Democratic Party, the Awakening Party (NP) and PAN (National Mandate Party) have tended to prioritize good prudential management so that social security does not burden the budget, perhaps leading to a financial crisis. On the other hand, parties such as PDI-P (Indonesia Democratic Party), Golkar Party, PKS (Justice and Welfare Party), PPP (United Development Party), Hanura and Gerindra have pushed for the provision of improved social security as soon as possible in order to better protect workers.

Apart from problems associated with delayed implementation of the laws, there are also a number of shortcomings in the laws themselves. In the first place, coverage of the insurance program is relatively limited compared to that in other countries. It generally still emphasizes services and protection for formal workers, thus leaving informal sector workers only partially protected – or sometimes not protected at all. The pension program, for example, is mandatory for the formal sector only. Informal sector workers are not eligible to participate and will thus not receive a monthly pension benefit after they retire; universal coverage of this program for all citizens thus remains unrealized.

Second, income support payments for workers who are temporarily incapacitated is currently still unavailable. If a worker cannot work or study temporarily because of illness, injury or disability, s/he thus basically has no source of financial assistance.

Third, unemployment benefits are not included in the scheme, meaning that citizens generally receive no assistance if they have no source of income. In some countries, benefits are funded by a compulsory governmental insurance system rather than by taxes on individual citizens. Although generally those sums may be small, covering only basic needs, it may compensate for lost time, proportional to the previous salary.

The final and perhaps most important limitation on implementation of the legislation involves the question of state capacity, and here the outcome is uncertain. The enactment of the BPJS law and its enabling legislation certainly constitutes a significant step towards securing social justice for workers, indicating that the government has been serious about its reform agenda. However, many problems remain to be overcome, not least of which is the extension of the scheme to the vast informal sector. As alluded to in the earlier discussion of programs to extend labour protection schemes elsewhere, developing countries generally face serious institutional difficulties in implementing policy reforms. And in a large, internationalized and socially complex country such as Indonesia, state capacity will inevitably be a constraining factor. Yet the context for labour reform and improved state capacity has changed in recent decades, making both processes more likely: democratization over the last two decades and the greater representation that this has provided to organised labour is increasingly pressing the bureaucracy to respond to broad societal pressures rather than to protect particular political interests. And the political disputes over financing implementation of the legislation also reflects mounting social demands on the government to provide better social protection. The instutional framework now exists, but it remains to be seen whether BPJS will be provided with the resources enabling it to manage efficiently the wide array of social security programs which are now covered by the legislation - without itself succumbing to the misuse of its services.

Another related topic that requires further research is the policy's regional aspects, for local variables may effect implementation. For example, a progressive local government may encourage companies to provide better labor protection. As a result, workers' conditions there may be better than in surrounding areas. An examination of how local social dynamics in different areas effect implementation would thus also be useful.

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