

# **The Silent Struggle of Indonesia's Informal Women Workers: Exclusion from Pension Protection and Alternatives for Pension Reform**

(Dedy Susanto, ERNA: 661720)

The Indonesian government has not yet adequately protected the rights of informal employees, particularly their pension security. The government has regulated the pension system for formal workers in the formal sector, where government workers are required to pay pension fund contributions to the Social Insurance for Civil Servants (Taspen) and private formal workers from companies whose mandatory contributions are managed by the National Social Security Agency for Employment (BPJSTK).

What about informal labourers, then? Sri Mulyani, Minister of Finance of the Republic of Indonesia, declared in Kumparan (2022) that “The participation rate of informal labourers is close to nil or extremely modest. Its minimal contribution provides little protection, as evidenced by the lack of protection.” This statement indicates that many informal workers in Indonesia are unprotected by pension insurance plans. This is a significant issue because informal workers are also entitled to social protection, such as pension security.

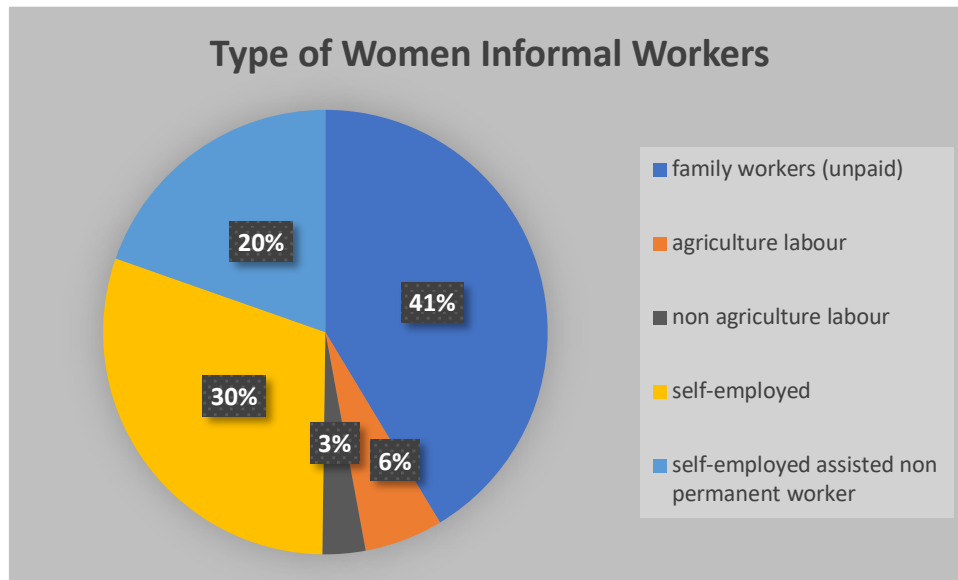
Law No. 40 of 2004 concerning the National Social Security System mentions the regulation of guaranteed pension funds for informal workers in its explanation section: “The informal sector can become participants voluntarily, so that it can include farmers, fishermen, and those who work independently, so that the National Social Security System can eventually cover all the people.”

The phrase “voluntarily” indicates that the government is not yet serious about guaranteeing pension security for all of its workers, which means that informal workers are a marginalised group when it comes to accessing this type of social security distribution. This may also indicate that informal workers have not yet received full recognition from the government.

Fraser writes in Thompson (2005) that without addressing economic inequality through redistributive measures, acknowledgement alone may not be enough to solve the difficulties faced by excluded groups. Workers in the informal sector may not have access to pension schemes, or they may opt not to participate due to the high cost of payments or a lack of knowledge on the benefits of pension systems. Pension plans can have a negative impact on labour supply in this environment by increasing the cost of labour for businesses and decreasing the net income of informal sector workers (Ceni, 2017).

## **Pension concerns for Informal Workers**

The most marginalised segment of this group of informal workers are, of course, women informal labourers. According to Staab (2020) and Barrientos (1998), women, who are concentrated in the lowest-paid and least-protected informal jobs, suffer additional obstacles due to their duties for household-related chores and the care of children and other dependents. These obligations result in more frequent employment interruptions, decreased productivity, and restricted access to social support. In Indonesia, nearly 35 million women are employed in the informal sector, of which 41.37 percent are unpaid family workers, 30.16 percent are self-employed, 19.62 percent are self-employed with the assistance of non-permanent labourers (who are typically family workers), 5.72 percent are non-agricultural casual workers, and 3.13 percent are agricultural casual workers (Statistics Indonesia, 2022, p. 189-190).



**Picture 1.** Statistics Characteristics of Women Informal Workers in Indonesia in February 2022 from The National Labour Force Survey

**Source:** calculated from Statistics Indonesia (2022, p.189-190)

Not to add that women make up 54.17 percent of part-time workers (Statistics Indonesia, 2022, p.219-220). This suggests that the combined responsibility of housework and caring for children and other dependents prevents women from working full-time for better pay. This is comparable to the situation in Korea, where 70 percent of female workers are irregular, insecure, and unprotected by national labour law frameworks (Chun, 2009).

Women informal workers, such as domestic workers, farm labourers, and small dealers, must pay a monthly fee of 36,800 IDR (around 2.26 EUR) to participate in the old age security programme. This programme also offers death and workplace accident compensation. It is essential to clarify, however, that the old-age pension is only a savings account for informal workers that is deposited and cycled with tiny additions and can be taken when the person turns 56 or stops working (BPJSTK, no date).

This differs from the pension guarantee formal workers receive, which is likewise derived from the BPJSTK programme and provides lifetime protection and monthly benefits to replace income lost due to retirement (ibid.). Consequently, pension insurance is deemed more protective than old-age pension insurance since it provides monthly income for retired workers, but old-age pension insurance is simply the product of informal workers' savings that are distributed once after a specific age.

### **Urgent pension reform for informal sectors**

Indonesia must update its pension insurance, with the addition of pension coverage for non-formal workers constituting a significant improvement. By giving pension security to informal workers, social justice in the sense of Fraser is realised through redistribution and acknowledgment of informal workers (2007). Applying on this approach, the solution would centre on tackling economic inequality and implementing redistributive measures that may enhance the economic standing of women workers. The government might subsidise the BPJSTK programme to make it more inexpensive and accessible to women in informal employment.

It is imperative that policies exist for informal sector employees, particularly women workers. Government health insurance premiums are already incredibly tough to pay. 61.8 percent of informal employees reported that they were in arrears of health insurance contributions due to financial issues, and 11.2 percent were in arrears due to a lack of trust in health insurance providers; 35 percent of informal sector household heads (KRT) do not have health insurance (The Indonesian Institute of Sciences, 2019).

In addition, pension plans can have indirect effects on labour supply through influencing company and employee behaviour. Employers may be more likely to engage informal sector workers if they are not obligated to contribute to pension schemes on their behalf, leading to a larger informal sector and lower participation rates in the formal sector. Similarly, people may choose to work in the informal sector if they believe that the benefits of formal sector employment, such as access to pension schemes, are not worth the cost (Ceni, 2017).

### **Acknowledgement of Oneself and Awareness**

According to Honneth (in Thompson, 2005), it is essential to underline the significance of recognition as the basis for social justice. He views recognition as an essential condition for others to acknowledge and cherish the identities and contributions of individuals. In turn, this permits individuals to build the self-worth and self-esteem required for full involvement in social life. Honneth views redistributive policies as significant because they can assist establish conditions that allow individuals to engage in social life on equal terms, but as a supplement to the cultivation of mutual respect and acknowledgement, rather than as the fundamental basis for social justice.

Possibly the low participation rate of women informal employees is attributable to the notion that their job is less significant than that of formal workers, resulting in a collective belief that only formal workers are entitled to pension benefits. This may be the case for Indonesian women, particularly those with no higher education than junior high school. People must be made aware that the informal sector plays a significant part in the Indonesian economy through some sort of programme. It is hoped that this elevated level of awareness would also improve government officials' understanding of the need to revise pension regulations for women in the informal sector.

Given that informal workers face significant barriers to accessing pension insurance in China, Yujeong Yang (2022) suggests that the low awareness of pension insurance among women informal workers may be due to a lack of information about the system, difficulty in meeting eligibility criteria, and limited employer contributions. Hence, tackling these obstacles can be an essential step towards enhancing pension coverage among informal employees. Providing more accessible and user-friendly tools that explain the qualifying requirements, benefits, and application process for informal workers is one strategy to alleviate the lack of pension system information. Many methods, including online platforms, community-based outreach, and focused information campaigns, can be utilised for this purpose. In addition, encouraging employer contributions might be essential for expanding pension coverage for informal workers. This can be achieved by giving tax credits or other forms of incentives to encourage companies to enrol their informal workers in the pension system.

### **Policy Alternative from Indigenous Case**

Furthermore, According to Wiliandri's (2016) study in observing Indigenous Knowledge-based in Tengger Village, Indonesia to brainstorm Alternative Pension Models, one of the other factors that contribute to

the low participation of informal workers in social security, particularly in rural areas, is their reliance on *gotong-royong* (mutual assistance), kinship, family, and other traditional support systems, in which women are required to perform the majority of care work.

This is where microfinance organisations can help reduce poverty by offering alternative funding choices such as microcredit, microenterprise, and microinsurance. These programmes are intended to promote small and informal companies and are frequently more accessible to persons with low incomes than traditional financial institutions.

By offering these services, microfinance institutions can assist informal workers in establishing sustainable livelihoods, boosting their income, and decreasing their susceptibility to economic shocks. In addition, microinsurance can offer individuals and their families with a safety net in the event of unforeseen circumstances such as illness or natural disasters. Hence, microfinance institutions can play an important role in fostering financial inclusion and alleviating poverty. Governments can engage with microfinance organisations to create alternative financial providers, such as pension funds, for rural informal workers (*ibid.*).

### **Credit Access and Universal Pension**

Statistics Indonesia reports that more than fifty percent of women employed in the informal sector are self-employed (2012, p. 189-190). There is a major economic opportunity to strengthen the economy and provide ample possibilities to join pension plans. In their study, Stuart, Samman and Hunt (2018) said that informal employees in impoverished countries are self-employed and operate through household-level firms, which makes improving their situations a complex undertaking requiring consideration of both their worker and enterprise status. Lack of finance is a significant obstacle for informal enterprises.

Access to finance can facilitate the expansion of a business, resulting in an increase in assets, profits, and consumption stability. To ensure development in a variety of areas, including income, well-being, and empowerment, access to capital must be only one component of a complete, integrated strategy for improving outcomes in the informal economy (*ibid.*). It is anticipated that by enhancing the well-being of informal women workers in Indonesia, their participation in pension schemes will improve, hence reducing the likelihood of future economic insecurity and poverty in old age. This policy is comparable to Wiliandri's (2016) research in suggesting microcredit and microenterprise.

The final alternative is a universal pension for the elderly. Expanding social protection coverage to include non-contributory schemes, such as conditional cash transfers or universal pensions, can be an effective way to provide social protection to women in informal employment and other marginalised groups who may not have regular access to formal employment or payroll contributions, according to Staab (2020). For example, Bolivia implemented the Renta Dignidad Pension scheme in 2008, which offers a fixed income to persons aged 60 or older in order to safeguard their basic income in 2010. Achieving 97 percent of targeted recipients by 2013, this initiative successfully reduced extreme poverty by 5.8 percent comparing in 2009, particularly in rural regions (Ticona Gonzales, M, 2011). These non-contributory programmes can be structured to be inclusive and accessible to people traditionally excluded from conventional social security systems, including domestic workers and other informal employees. In addition, these programmes can assist in addressing the gendered effects of informality, which frequently result in a concentration of women in lower-paying and less secure jobs.

## Conclusion

Pension for informal employees in Indonesia remains a significant issue. Informal workers do not have access to pension plans, in contrast to regular workers. The government has not properly protected the rights of informal employees, particularly their entitlement to social assistance and pensions. Although informal workers are permitted to freely engage in the national social security system, the government has not yet made any significant steps to ensure that informal workers have access to pension plans. This means that informal workers, particularly women who are disproportionately concentrated in low-paying and unprotected professions, are marginalised and susceptible to economic insecurity in old age. If economic inequality is not addressed through redistributive measures, acknowledgment alone may not be sufficient to address the difficulties encountered by excluded groups. To secure a dignified existence for all employees, particularly those in the informal sector who are the most vulnerable, it is vital to provide social safety, including pensions.

## Citation:

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