

‘You can bite it, but it’s tough!’ Pensions for Widows in Indonesia

Research >
Indonesia

For most Indonesians in times of hardship, there is no alternative to seeking assistance from family or neighbours. A fortunate few are entitled to formal social protection: civil servants, military men, industrial workers and their dependants – approximately six million employees or 11.5 per cent of the Indonesian labour force (Esmara and Tjiptoherijanto 1986:56). Despite their small number these beneficiaries should not be overlooked when examining old-age security: their situation throws into sharp relief what the majority of Indonesians are excluded from, namely, direct access to state resources. Entitlement to social insurance shapes the importance of other sources of support, as pension incomes enable recipients to solve financial problems without depending too heavily on other sources of income and people.



These pensioner women belong to a pensioners' organization (PWRI) and meet once a month.
Both photos by Elisabeth Schröder-Butterfill

By Ruly Marianti

This article, which focuses on pensioned widows, results from research on support for widows in urban Java (Marianti 2002). The dynamic interactions between recipients and providers of support are central to this research. The study involved qualitative and quantitative fieldwork between 1997 and 1999 in Malang, an East Javanese city with a population of 800,000. Malang gains its income chiefly from manufacturing and retail, but the city is also home to several universities and army barracks. Among the research population of 111 widows almost one-third are pensioners: a relatively high proportion that reflects the urban setting of the research. Most pensioner widows are entitled to their pensions because they were married to civil servants or army members; only two were themselves part of the state apparatus.

The Indonesian pension system

No universal system of social protection exists in Indonesia. Those covered by pensions fall under one of three schemes: (1) A voluntary employer-sponsored pension programme, mainly found in public enterprises. (2) A mandatory social security programme (JAMSOSTEK, Jaminan Sosial Tenaga Kerja) providing pensions as well as insurance against illness and disability. Meant to cover all employees in the formal sector working for businesses with over ten employees or a monthly payroll of over one million rupiah (over EUR 100), it is, in theory, enforced by the Ministry of Manpower (Ramesh 2000:537). (3) The state-run pension programme for members of the civil service, armed forces, and the police consisting of three benefits: the actual pension ensuring a stream of post-retirement annuities, a lump-sum paid upon retirement, and post-retirement health care (Leechor 1996:24). Nevertheless, these pension schemes have undeniable weaknesses, such as low returns on investments and high administrative costs, which could endanger the state's ability to meet future pension obligations. Moreover, none of these programmes can be categorized as 'mandatory public pension plans', which are normally financed by a payroll tax on a pay-as-you-go basis (ibid:3).

Given the bureaucratic processes involved, many widows acknowledge the impossibility of applying for pensions without assistance from, for example, sons, sons-in-law, or members of pensioner organizations. The procedure normally takes two to three months. Aside from personal or practical difficulties, such as illiteracy, physical restrictions on mobility, or unfamiliarity with bureaucracy, the applicants are usually not confronted with serious problems. The widows' rights to their husbands' pensions are protected by law and generally respected by the parties involved.

The economic importance of pensions

Compared to non-pensioners, pensioners are generally better off. Although not a large sum of money – in the region of Rp. 300,000 to 500,000 (EUR 30 to 50) for widows – the pension is a stable source of income that allows beneficiaries a measure of economic independence. Using indicators like ownership of luxury goods (e.g. radios, televisions, refrigerators), my study shows that pensioners often enjoy greater purchasing power. The impact of pensions on widows' economic positions is also reflected by the fact that fewer pensioners still work (38 per cent versus 53 per cent for non-pensioners).

Like Indonesian widows generally, pensioner widows represent a heterogeneous group cutting across socio-economic strata. Consequently, they use their pensions in different ways. Some divert a significant part of their pension to support their families (see also Schröder-Butterfill 2003). One widow said that she had to provide an interest-free loan to her son whenever he needed additional working capital.

Turning now to the degree of dependence on pensions, two categories may be distinguished: pensioners who depend on their pensions as their main source of income (87 per cent) and pensioners who have other sources and consider their pension to be additional income (13 per cent). In reality, gradations of dependence can be discerned, largely determined by two factors: the widow's life stage and health condition. Pensioners who depend entirely on their pension are often



older and have health problems. Most are acutely aware that their pension income is limited and that their purchasing power is threatened by inflation. Nonetheless, it is usually not their first coping strategy to try and generate other income. After all, one of the most serious obstacles faced by elderly widows is their physical inability to work. Instead they are forced to change consumption patterns to make ends meet. Pensioners who run businesses (e.g. shops or lodging houses) can afford to consider their pension as income to be spent on gifts, to be lent out, or simply as *buat tambah-tambah* (additional money). A few individuals in this group could theoretically lose their pension without experiencing serious financial decline.

Widows still burdened with young children or grandchildren find it difficult to manage on the limited pension for recurring costs, especially school fees. However, other advantages associated with a pension – such as the right to apply for credit at the Pensioner's Bank – may enhance their children's chances of gaining a better education. Most of the pensioners' children have finished at least secondary school; some are even university graduates. A key factor is their parents' stable income: first their father's salary (or pension) and later their mother's widow's pension.

In an uncertain economic climate, the main advantage of a pension clearly lies in the monthly receipt of a reliable income. This is something for which pensioner widows are rightly envied by their non-pensioner peers. Although pensioners and non-pensioners expressed similar ideas about economic problems, their evaluation of insecurity differs. When asked about hardships caused by uncertain or fluctuating income, 41 per cent of non-pensioners but only 16 per cent of pensioners acknowledge regularly confronting such problems. The two groups also differ in their perception of their current financial condition, especially when asked to make comparisons with their situation before widowhood.

Without a doubt, a pension can guarantee a certain amount of stability and independence for pensioners and their families. The extent to which pensions can provide real protection from economic problems or facilitate improvements in economic conditions depends on the actual problems faced by beneficiaries. The greatest beneficiaries are widows with the fewest economic responsibilities: those who do not need to provide economic support to relatives, who do not rent a house or have debts, and who do not suffer from serious illness. Nonetheless, all widows agreed that regardless of the amount of money involved, it was better to be entitled to a pension than not. In their words, pensions represented an income which could be *dicokot-cokot alot*: 'you can bite it, but it's tough'. <

References

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