

Reducing Social Security Contribution Arrears in Indonesia

Policy brief

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The Behavioural Insights Team (BIT) and the Indonesian social security agency for the labour force, BPJS Ketenagakerjaan (BPJSTK), formed a partnership in May 2017 to apply behavioural insights and rigorous evaluation to improving social security coverage in Indonesia. This report summarises the findings of our first project together.

Policy objective

A large proportion of companies registered with BPJSTK – 313,000 out of 570,000 – were in arrears at least once between July 2017 and June 2018. This puts employees at risk because they would not be covered by BPJSTK insurance in the event of an accident and lowers the contributions made towards their pensions. Our objective was therefore to increase on-time payments of social security contributions and reduce contribution arrears.

Table: Email versions

Trial arm	Email content
Control	No email
Social norms	Informed companies that the majority of companies pay their social security contributions on time
Risk of prosecution	Highlighted that companies with arrears could be prosecuted by the government
Risk to employees	Highlighted that employees were not insured through BPJSTK if companies were in arrears and appealing for them to take care of employees' well-being
Planning	Asked companies to mark a date and time in their calendar for when they would pay the contributions

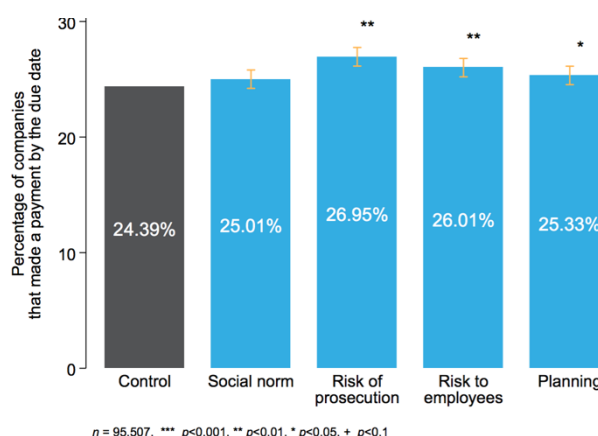
Intervention

BIT and BPJSTK tested the effectiveness of different email interventions to increase payments before the monthly deadline. We randomly allocated 95,156 companies that had arrears in the past year and for which BPJSTK held an email address to one of five trial arms listed in the table overleaf.

Results

The 'Risk of prosecution', 'Risk to employees', and 'Planning' emails significantly improved payment rates, while the 'Social norm' email was not significantly more effective than sending no email at all (see figure to the right). The 'Risk of prosecution' email was the most effective and led to a 2.6 percentage point increase in the likelihood that a company made a social security contribution payment by the deadline. This increased the number of companies making a payment by 500 and repayments of earlier arrears by IDR 10.2 billion (~ USD 715,000) compared to the Control group.

Figure: Impact on payments made by the deadline



We thank BPJSTK for partnering with us and look forward to developing and testing more innovative approaches to ensure every Indonesian can eventually benefit from effective social security.

Recommendations

- Scale the 'Risk of prosecution' email by sending it to companies that were not sent the email during the trial.
- Adapt the one-off 'Risk of prosecution' email and test its effects as: (i) a monthly reminder; (ii) a hardcopy reminder letter to companies that have a physical address but not an email registered with BPJSTK; and (iii) a text message for companies that have registered for BPJSTK's text reminder service.
- Develop new behavioural insights projects to: (i) encourage newly registered companies to pay their social security contributions on time (rather than just targeting companies that have been in arrears before); and (ii) discourage underreporting of the amount of social security contributions that a company needs to pay.

Impact of the 'Risk of prosecution' email if scaled

If the 'Risk of prosecution' email had been sent to the entire trial sample of 95,156 companies, we would expect the following effects compared to not sending any email at all:

- 2500 more companies making a payment before the deadline;
- 1,430 more companies without arrears by the end of the month;
- IDR 51 billion (USD 3.6 million) more in repayments of earlier arrears.