

Social Security Protection for Vulnerable Informal Workers Through City Government Budget in Indonesia: A Legal Analysis of Current Framework and Implementation Challenges

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ABSTRACT

This article examines the legal framework and implementation of social security protection for vulnerable informal workers in Indonesia through city government budget allocations using Dana Bagi Hasil Cukai Hasil Tembakau (DBH CHT). With approximately 60% of Indonesia's workforce operating in the informal sector, the gap in social security coverage represents a significant challenge for achieving universal social protection. This research analyzes the current legal mechanisms, budget allocation strategies at the city level, and the role of BPJS Ketenagakerjaan in extending coverage to informal workers. The study finds that while the legal framework exists, implementation challenges persist due to limited fiscal capacity at the local level, inadequate coordination between agencies, and barriers to enrollment among informal workers. The paper proposes legal and policy reforms to strengthen city-level social security programs and improve protection for vulnerable informal workers.x

Keywords: Social security, informal workers, BPJS Ketenagakerjaan

INTRODUCTION

Indonesia's informal economy encompasses approximately 60% of the total workforce, representing over 70 million workers who lack adequate social security protection. These workers, including street vendors, domestic workers, agricultural laborers, and micro-entrepreneurs, face significant vulnerabilities due to irregular income, lack of employment contracts, and limited access to formal social protection schemes. The COVID-19 pandemic highlighted the precarious situation of informal workers, demonstrating the urgent need for comprehensive social security coverage.

The Indonesian government has established legal frameworks for universal social security coverage through the National Social Security System (Sistem Jaminan Sosial Nasional - SJSN), implemented primarily through BPJS Ketenagakerjaan (Employment Social Security Agency). However, achieving universal coverage remains challenging, particularly for informal workers who often cannot afford contributions or face administrative barriers to enrollment.

City governments play a crucial role in extending social security protection to informal workers through local budget allocations and targeted programs. This article examines the legal foundations and current implementation in Salatiga How it be challenges facing city-level social security initiatives for vulnerable informal workers in Indonesia.

Research methods

Types of Research

This study applies a qualitative approach using a normative juridical method to examine both the legal framework and the practical implementation of social security protection for vulnerable informal workers in Indonesia. The research integrates three complementary approaches: the statute approach to analyze

constitutional provisions, national laws, implementing regulations, and municipal regulations; the conceptual approach to elaborate on the principles and concepts of social security protection, informal employment, fiscal decentralization, and municipal autonomy; and the case approach to assess the implementation of municipal policies in Salatiga City and compare them with both national and selected international practices.

Research Subjects

The research subject is the legal and policy framework governing social security protection for vulnerable informal workers in Indonesia, with a focused examination of municipal-level interventions in Salatiga City. This includes the analysis of statutory provisions, regulatory mechanisms, municipal budgetary policies, and coordination frameworks between local governments and BPJS Employment, as well as the identification of challenges in extending coverage to informal workers.

Data Source

All data used in this study are secondary. Primary legal materials consist of the 1945 Constitution of the Republic of Indonesia, Law No. 40 of 2004 on the National Social Security System, Law No. 24 of 2011 on the Social Security Administering Bodies (BPJS), Law No. 23 of 2014 on Regional Government, Presidential Regulation No. 109 of 2013, Government Regulation No. 12 of 2019, and Salatiga Mayor Regulation No. 5 of 2025. Secondary legal materials include peer-reviewed academic journals, scholarly books, annual reports from BPJS Employment, policy briefs, government reports, and publications from reputable international organizations such as the ILO, ADB, and OECD. Tertiary legal materials include legal dictionaries, legal encyclopedias, and official online databases.

Data Collection Technique

Data collection is carried out through document study and literature review. The document study includes the systematic inventory and analysis of statutory regulations, municipal budget documents, and policy guidelines relevant to social security for informal workers. The literature review focuses on scholarly works, statistical reports, and official publications from the last five years to ensure the relevance and currency of the information used.

Data Analysis

Data analysis follows a qualitative descriptive-analytical approach. The process involves data reduction to filter out irrelevant materials, thematic classification into categories such as legal framework, budget allocation mechanisms, implementation models, institutional coordination, and challenges, followed by legal interpretation that harmonizes doctrinal legal analysis with empirical policy realities. Comparative analysis is also employed by referencing best practices from other jurisdictions to propose contextually appropriate reforms.

RESULTS AND DISCUSSION

Legal Framework for Social Security in Indonesia

Constitutional Foundation, The 1945 Constitution of Indonesia provides the fundamental legal basis for social security rights. Article 27 paragraph (2) states that "every citizen has the right to work and to earn a living befitting human dignity," while Article 28H paragraph (3) guarantees that "every person has the right to social security that allows his or her complete development as a dignified human being."

Article 34 further mandates that "the poor and abandoned children are taken care of by the state" and establishes the state's responsibility to develop a social security system for all people. These constitutional provisions create binding obligations for all levels of government, including city governments, to provide social security protection.

National Legal Framework, Law No. 40 of 2004 on the National Social Security System (SJSN Law) The SJSN Law establishes the fundamental principles and structure of Indonesia's social security system. It mandates universal coverage for all citizens and residents, implemented through a phased approach. The law recognizes five social security programs: health insurance, work accident insurance, old age security, pension insurance, death benefit insurance, for informal workers, the most relevant programs are health insurance, work accident insurance, old age security, and death benefit insurance. Law No. 24 of 2011 on Social Security Administering Bodies (BPJS Law). This law established BPJS Kesehatan and BPJS Ketenagakerjaan as the implementing agencies for social security programs. BPJS Ketenagakerjaan is specifically responsible for employment-related social security, including coverage for informal workers. Article 14 of the BPJS Law mandates that membership in social security programs is mandatory for all workers, including informal workers. However, the law provides flexibility in contribution mechanisms and government subsidies for vulnerable populations.

Presidential Regulation No. 109 of 2013 on Phases of Implementation of the National Social Security System. This regulation outlines the phased implementation of SJSN, with specific provisions for informal worker coverage. It allows for government subsidies to support informal worker participation and establishes implementation timelines. Regional Autonomy and Local Government Authority. Law No. 23 of 2014 on Regional Government. This law provides the legal basis for regional autonomy and defines the division of authority between central, provincial, and city/regency governments. Social welfare affairs are classified as concurrent government affairs, meaning city governments have authority to implement social security programs within their jurisdiction.

Article 12 specifically includes "social protection" as a mandatory government affair for city governments, creating legal obligations to provide social security services to residents.

City Government Budget Authority and Social Security Programs

Legal Basis for City Budget Allocation, city governments derive their budget authority from several legal sources: Law No. 17 of 2003 on State Finance This law establishes the legal framework for public financial management, including regional government budgets. It requires that budget allocations align with government priorities and public welfare objectives. Law No. 33 of 2004 on Financial Balance between Central and Regional Governments. This law regulates fiscal decentralization and provides mechanisms for central government transfers to support regional social programs, including social security initiatives.

Government Regulation No. 12 of 2019 on Regional Financial Management. This regulation provides detailed procedures for regional budget planning, implementation, and accountability, including provisions for social protection programs. **Budget Categories for Social Security Programs**. City governments can allocate budgets for informal worker social security through several categories: **Direct Expenditure**: Funding for city government agencies responsible for social security programs. **Grants and Social Assistance**: Direct transfers to vulnerable informal workers or subsidies for social security contributions

Goods and Services: Administrative costs for implementing social security programs. **Capital Expenditure**: Infrastructure development to support social security service delivery. **Legal Requirements for Budget Transparency and Accountability**. Indonesian law requires city governments to maintain transparency and accountability in budget allocation and execution, **Budget Planning**, City governments must conduct public consultations and needs assessments before allocating budgets for social security programs. **Implementation Monitoring**: Regular monitoring and evaluation of program effectiveness. **Public Reporting**: Annual financial reports and performance evaluations must be published and accessible to the public

Current Implementation and Coverage

National Coverage Statistics, as of 2024, BPJS Ketenagakerjaan membership has reached 45.2 million participants, representing a significant increase from 30.6 million in 2021. However, coverage gaps persist, particularly in the informal sector. By mid-2025, only 38 percent of approximately 101 million eligible workers are expected to be covered by the employment social security program (Jamsosnaker).

City-Level Implementation Models. Several cities in Indonesia have implemented innovative approaches to extending social security coverage to informal workers: North Sumatra Model, North Sumatra has implemented a comprehensive approach using regional budget allocations to support vulnerable informal workers: 2022: 10,000 vulnerable workers received financial assistance. 2023: 31,570 workers were supported 2024: 41,570 workers received assistance

This progressive increase demonstrates the potential for city-level budget support to expand social security coverage. Salatiga City Model Salatiga City has comprehensive approach to worker protection, including both formal and informal workers by Peraturan Wali Kota Nomor 5 Tahun 2025 tentang Jaminan Sosial Ketenagakerjaan Bagi Pekerja Rentan. The city government collaborated with BPJS Ketenagakerjaan to achieve universal coverage objectives. Both targeted 75% of Universal Coverage for 2025-2030.

Challenges in Implementation Fiscal Capacity Limitations. Many city governments face budget constraints that limit their ability to provide comprehensive social security support. Limited own-source revenue (Pendapatan Asli Daerah - PAD) and dependence on central government transfers restrict the scope of local social security programs. **Administrative Barriers.** Complex enrollment procedures, documentation requirements, and limited outreach programs create barriers for informal workers seeking social security coverage. Many informal workers lack formal identification documents or proof of income required for registration and lack of information.

Awareness and Education Gaps

Limited awareness about available social security programs and their benefits prevents many informal workers from enrolling. Language barriers, low education levels, and mistrust of government programs compound these challenges. **Coordination Challenges.** Poor coordination between city government agencies, BPJS Ketenagakerjaan, and other stakeholders results in fragmented service delivery and inefficient resource utilization

LEGAL ANALYSIS AND RECOMMENDATIONS

Constitutional Compliance Assessment. Current city government efforts to provide social security protection for informal workers align with constitutional mandates, but significant gaps remain. The constitutional right to social security creates positive obligations for city governments to actively implement programs that ensure universal coverage. **Statutory Interpretation Issues** the tension between mandatory social security participation (as required by the BPJS Law) and the practical challenges facing informal workers requires careful legal interpretation. City governments need clear guidance on how to balance legal requirements with practical implementation challenges.

While city governments have the authority to provide subsidies for social security contributions, legal limitations on budget allocation and fiscal responsibility requirements create constraints on program scope for the protection of vulnerable informal workers. However, achieving universal coverage remains challenging, particularly for informal workers who often cannot afford contributions or face administrative barriers to enrollment.

Policy Recommendations, amendment to Regional Government Law: Clarify city government obligations for informal worker social security and provide specific implementation guidelines. **Social Security Implementation Regulation:** Develop comprehensive implementing regulations that address: simplified enrollment procedures for informal workers, flexible contribution mechanisms, coordination protocols between agencies, legal framework improvements

Budget mechanism reforms earmarked Budget Category: Create specific budget line items for informal worker social security programs to ensure consistent funding and prevent diversion to other priorities. **Intergovernmental Transfer Mechanism:** Establish dedicated transfer mechanisms from central and provincial governments to support city-level social security programs. **Public-Private Partnership Framework:** Develop legal frameworks to enable private sector participation in funding and implementing social security programs for informal workers.

Service Delivery Improvements One-Stop Service Centers: Establish integrated service centers that combine social security enrollment with other government services frequently used by informal workers. Digital Platform Development: Create user-friendly digital platforms with multi-language support and simplified procedures for informal worker enrollment. Community-Based Outreach: Implement community-based outreach programs through local organizations and informal worker associations. Comparative Analysis with International Best Practices

India's Unorganized Workers' Social Security Act, India's approach to informal worker social security through the Unorganized Workers' Social Security Act of 2008 provides valuable lessons for Indonesia. The Act establishes state-level implementation with central government funding support, similar to Indonesia's decentralized approach. Brazil's Unified Social Assistance System (SUAS). Brazil's SUAS demonstrates effective coordination between different levels of government in providing social protection. The system's emphasis on territorial-based service delivery and participatory governance offers insights for improving Indonesia's city-level implementation. Thailand's Universal Coverage Scheme. Thailand's successful achievement of universal health coverage through strong local government involvement and flexible financing mechanisms provides a model for Indonesia's efforts to expand social security coverage.

Future Directions and Reform Agenda, Short-term Priorities (2025-2027), Regulatory Harmonization: Align national and regional regulations to eliminate contradictions and provide clear implementation guidance. Capacity Building: Strengthen city government capacity for social security program management. Technology Integration: Implement digital solutions to simplify enrollment and service delivery. Pilot Program Expansion: Scale successful pilot programs to additional cities. Medium-term Goals (2027-2030). Universal Coverage Achievement: Achieve universal social security coverage for informal workers in major cities

Service Integration: Integrate social security services with other social protection programs. Performance-Based Budgeting: Implement performance-based budget allocation mechanisms Regional Network Development: Establish inter-city cooperation networks for program sharing and coordination. Long-term Vision (2030-2045). Comprehensive Social Protection System: Achieve fully integrated social protection system covering all vulnerable populations. Sustainable Financing: Establish sustainable financing mechanisms that reduce dependence on government subsidies. Adaptive Social Security: Develop adaptive social security systems that respond to changing labor market conditions and demographics

CONCLUSION

Social security protection for vulnerable informal workers through city government budgets in Indonesia represents both a legal obligation and a practical challenge. The constitutional and statutory framework provides a solid foundation for city government action, but implementation gaps persist due to fiscal constraints, administrative barriers, and coordination challenges. The recent increase in BPJS Ketenagakerjaan membership demonstrates the potential for progress, but achieving universal coverage requires sustained commitment and innovative approaches. City governments must leverage their budget authority strategically, focusing on simplified procedures, community outreach, and integrated service delivery.

Legal reforms should address the tension between mandatory participation requirements and practical implementation challenges, while providing greater clarity on city government obligations and authority. Budget mechanism improvements, including earmarked funding and intergovernmental transfers, are essential for ensuring sustainable program financing. The success of social security protection for informal workers ultimately depends on the commitment of city governments to prioritize vulnerable populations in budget allocation and policy implementation. With appropriate legal frameworks, adequate funding, and effective implementation mechanisms, Indonesia can achieve its goal of universal social security coverage and provide dignity and security for all workers.

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