Overcoming Challenges of Social Policy Reform in Indonesia

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Abstract—Social security program is a common social policy to overcome the poverty in many countries. The policy making and implementation of this policy are different in every state. In many European countries, government has a strong support to fund the social protection program while in United States of America has a less government financial support. This paper will describe the social policy implementation in United States of America, South Korea, and Indonesia. Those experiences might be a lesson learned to identify some challenges and recommendation in implementing social policy in Indonesia.

Keywords: social protection; social insurance; social assistance; welfare program; poverty

I. INTRODUCTION

Financial crisis is the most reason for many countries to realize that they need to provide social protection for their people. By providing social protection in any scheme whether social assistance or social insurance with universal or partial coverage and beneficiaries, the government has a guarantee that their people will be survived economically and socially through any unfortunate condition such as natural disaster or work accident which bring someone to be unemployment. This paper has four purposes, they are: first, describing the implementation of self-funding social insurance in United States. Second, explaining the holistic social policy implementation in South Korea. Third, punctuating the alteration of social policy in Indonesia. Fourth, presenting some challenges in implementing social policy in Indonesia and recommendation to overcome them.

Social policy is a technical guideline to answer social problems and form a social welfare, for instance fuel subsidy, unconditional cash transfer (BLT/Bantuan Langsung Tunai), health security services (BPJS Kesehatan), labor security services (BPJS Ketenagakerjaan), and school operational assistance (BOS/Bantuan Operasional sekolah). Dye (1976) in Suharto [1] defined social policy as a government action, its historical background, and the impact of the action toward social problems and social welfare. As a part of public policy, social policy is allied with other policies, especially economic and development policies. Suharto [1] described that:

“Within the contextual of social development, social policy is a set of mechanism and system that guide and interpret various development goals. The orientation of this policy is social objective. This objective contains two related definition, they are to solve social problem and to fulfill social need”.

Most of people view social welfare policy as a pro-poor program, rather than a pro-well-being program. That means, the social welfare programs benefit the affluent as well as the poor. Blau and Abramovitz [2] divided social welfare programs in United States of America into two major programs, they are universal programs that profit society (individuals or families) with income measurement, and selective programs that aim to only support poor family. This paper presents social policy implementation in three countries which experienced financial crisis, they are: first, United States of America which experienced great depression from 1929 to 1941. Second, South Korea which overcome the Asian financial crisis rapidly in 1997, and now the country becomes the most rapid economic growth country in the world. Third, Indonesia which also experienced Asian financial crisis in 1997, and still progressing to overcome its effect. Those countries implement a variation of social protection program scheme. Nevertheless, Korea and Indonesia almost have a same scheme of social protection program. Those countries experiences in overcoming financial crisis through implementing social protection, and the different situation, endowment availability, and resources which they had become relevant to be learned in order to identify challenges and recommendation in implementing social protection programs in Indonesia.

II. RESEARCH METHOD

This research used a qualitative approach with case study method. Ricuci [3] defined a research method as a technique to collect data, and McNabb [4] explained a qualitative research as a set of non-statistical inquiry techniques and processes to
gather data about social phenomena. Creswell [5] defined case study research as a research that involves the study of an issue explored through one or more cases within a bounded system. For further explanation, Creswell [5] described case study as a methodology with qualitative approach, where the investigator explores a case or multiple cases over time, through detailed, in-depth data collection including great deal of information resources. This research used a method of documentation and literature review for collecting its data, and descriptive analysis.

III. RESULT AND DISCUSSION

A. The Implementation of Self-Funding Social Insurance in United States

Beside the great depression that hit United States in 1929, urbanization also became a trigger for United States to formulate social policy through social security scheme. DeWitt [6] stated that social insurance was a manifestation of urban society need during the Industrial Revolution. In 1880 there was still 72% rural area in United States where American people lived with extended families and as self-employed such as craftsmen, farmers, and laborers and provide economic security for family members who could not work. This condition changed in 1930 when 44% of American society is rural society. Urbanization in United States also increased life expectancy. During preindustrial era, American male only had life expectancy of 38 years while American female had 40 years of life expectancy. This condition happened due to public sanitation improvement, upgrading health care, and betterment of living standards.

The needs of economic security pushed American founding fathers to seek the right formula around the world to be implemented in United States. In 1935, United States implemented their national social insurance for the first time while 20 nations around the world has been operating the social insurance system in their countries [7]. A famous social security system is the European Models which adapted welfare state principles. The systems drew contributions from the government as much as from workers and their employers. Because of financial crisis or state bankruptcy anxiety, this idea was disregarded by United States founding fathers. Actually, about 30s to 40s states in United States of America have implemented a form of social security before the Federal Government went around the world to seek the right formula. That social security named Mother Pension and state old-age pension. The first Mother Pension program appeared in 1911 while state old-age pension was implemented in 1935. It has been noted that there are 40 of the 48 states which have mother pension program and 30 states which have old-age pension program. Unfortunately, DeWitt [6] stated that these programs are ineffective and inadequate in that time because only 3% of the elderly were actually accepting benefits about US$19.50 per month. The great depression which happened in 1929 caused huge trouble for elderly. They got the most negative effect of the depression. They were very potential candidates to be fired at the first place, and their names were on the very bottom list to be rehired.

The social security system in United States today nearly universal, about 93% of all workers participating in the program. To overcome the anxiety of state bankruptcy, the benefits of social security in the United States were very limited and the state were too stingy to subsidy their people. DeWitt [6] explained “benefits were initially paid only to retires and only to the individual worker, himself, or herself. There were no other types of benefits and no benefits for dependent family members. Benefits were also far from generous. Financing has always been an issue” which President Roosevelt urged that the program be self-supporting. It meant that the program finance support does not come from general government revenues but coming from its dedicated payroll taxes. This decision was based on his point of view to avoid unrestrained government expenditures which can lead to future deficits. Beside program’s financing, the other issue that had been debated during the social security policy making was whether participation might be made voluntary for certain employers. But this scheme faced some challenges. To solve those challenges, some subsidy forms are implemented for most pension systems in order to provide adequate and equitable benefits. These benefit values are a basic principle of Social Security system in United States of America. DeWitt [6] stated that “adequate means that the benefits should be generous enough to provide real economic security to the beneficiaries while equitable means that the benefits should be related in some way to the level of contributions that a participant has made to the system”.

According to Social Security Administration website, there are ten programs in The Social Security Act of 1935, they are: first, Old-Age Assistance. It is a federal financial support and oversight of state-based welfare programs for the elderly. Second program is Federal Old-Age Benefits, this is a social security program. The third program is Unemployment Insurance which is national unemployment insurance, with federal funding and state administration. The fourth program is Aid to Dependent Children which provide the welfare for disadvantage children and this is a state-based program. The fifth program is Grants to States for Maternal and Child Welfare. This state program which is funded by Federal State pays attention for expectant mothers and newborns. The sixth program is Public Health Work, this is the state public health program which is funded by Federal State. The last program is Aid to The Blind Program. As its name, this program was created for helping people with visual disability which is funded by federal funding.

B. The Holistic Social Policy Implementation in South Korea

South Korea as known well as the most rapid economic growth country in the world. Inter-America Development Bank reported that in 1950 South Korea’s GDP per capita of USS 854 [8]. This condition put South Korea as one of the poorest countries in the world. Nowadays, Korea become the thirteenth-largest economy in the world after sixty-four years struggling to overcome poverty and financial crisis. The data which is presented in OECD [9],[10],[11],[12],[13], website shows that after the country was hit by financial crisis in 1997 with Gross Domestic Product about USS15.399 per capita, economic growth in the country increased consistently except in 2009
which decreased to US$28,320 per capita from US$28,656 per capita in 2008. A good trend also happened on poverty and employment rate. The poverty rate had been decreased from 2012 with 14.6% of 50.02 million inhabitants to 2015 with 13.8% of 51.02 million inhabitants. The employment rate had been inclined from 61.5% of working age population in 2012 with average wages about US$3,128 to 65.7% of working age population in 2015 with US$32,062 for average wages. Social welfare policy reform is the most potential solution to recover from national poverty caused by Asian financial crisis in 1997 through universal social security programs [1],[14],[2],[15],[3],[16]. Comparing to other OECD countries’ government, Government of South Korea invested much more of their expenditure on health and welfare. The data (Lee, 2015) shows that during nine years, Korea’s Government spending on health and welfare increased 5.7% of total government spending or USD50 billion. According to Korean Framework Act on Social Security, social security is defined as systems that enhance citizens’ quality of life which divides into three categories, they are: social insurance, public aid, and social services [4],[8].

As Lee [8] about the variation of social protection program in South Korea, social insurance has four programs, they are: first, National Health Insurance (NHI). This program was introduced in 1977 and has been given the universal coverage since 1989. The National Health Insurance Review and Assessment Services is the system regulator which aims to oversees and reviews the system’s medical claims and assesses the service quality of medical institutions. The 82.7% of the system is financed by user contribution, while 17.3% come from government subsidies. There is a varied contribution between citizens who participate in the National Health Insurance. The contribution from salaried workers is calculated based on their wages, while for the self-employed the calculation is based on their income, age, gender, and assets. This program benefit is categorized into cash and service benefits. The benefit of this program is 20% for inpatient care, 30%-60% for outpatient care, and 30%-50% for pharmacy copayments, with a copayment ceiling ranging from US$1,078 to US$4,490 or KRW1,2 million to KRW5 million. The second program of social insurance is the National Pension Scheme (NPS) with 9% of standard monthly income as its contribution. The program was introduced in 1988 and run by the National Pension Service. This is an earnings-related program with a progressive formula and is income redistributive within generations. This scheme has two versions, they are: the insurance with mandatory who are either employees or self-employed and are not allowed to withdraw the funds, and they are who are not employed and may withdraw the funds, namely voluntary insurance. In addition, this program has four benefits, they are: first, old-age pension whose benefits can be withdrawn after 10 years contribution and contributor turning 60 years old. Second, disability pension which is targeted for people who became disabled while they were contributing. Third, survivor pension is for the family of an insured person who dies, its usual beneficiaries are spouses or children. Fourth, a lump-sum refund is for people who briefly paid into the fund. The other two of social insurance services are employment insurance and Industrial Accident Compensation Insurance (IACI).

The second Korean Framework Act on Social Security is Social Service. This scheme has four services, they are: first, Long-Term Care Insurance. Long-Term Care Insurance for the Elderly (LCTI) in Korea was implemented in 2008, this program is the third long-term care system within OECD countries. Lee [8] stated that Korea adopted the program after Germany and Japan took similar steps. As a matter of fact, that Korea face a rapidly aging population and associated budget pressure, this program aims to enhance the quality of elderly life and reducing family care burden. Three benefits of LCTI are home care, institutional care, and cash benefits (in exceptional cases). Both care services provide bathing and nursing older people and assistance with household activities. The beneficiaries of Long-Term Care Insurance are not only people at age 65 or older, but also people under those ages who are senile or having mental degeneration illness which disable them to live by themselves. This program targeted to cover 3.1% of older people population as its beneficiaries [17]. Won [17] also wrote that “the majority of beneficiaries are reported to have one or more chronic conditions”. The most common people who access this service are people with dementia and cerebrovascular. There are at least three challenges which are faced by Korean Government during LCTI implementation. The challenges are: first, national LCTI and national medical insurance are separate. Second, the reward of physicians is not satisfactory and sometimes they work without payment. Third, contracted physicians are not legally allowed to provide any medical services to long-term care facilities except for prescribing medicine. Consequently, their services for older people are not satisfying. Nevertheless, three years after LCTI was introduced publicly, the percentage of the elderly population who were beneficiaries from this program increase 0.6%, and achieved 5.8% in 2011. The slowly progress of LCTI impact should be viewed as an indication of a good progress for enhancing quality of older people lives.

The second service of social service scheme is child care program which was started in 1991 by The Infant Care Act. This program aims to help infants grow healthy and support parents to involve in economic and social activities. In addition, this service also aims to boost fertility rates and encourage women’s economic participation. Korean Government subsidies this services through two schemes, they are: fostering allowance about US$90 – US$180 which is paid to parents whose children do not go to daycare centers or preschools, and an electronic voucher for care services in a daycare or preschool facility. The third service of social service scheme is social services electronic vouchers which began in 2007. This scheme aims to encourage competition among public service providers and increase budget transparency. Its beneficiaries are not only poor people but also middle-class society. The services include total elderly care, investments in local social services, mother/infant healthcare, housekeeping and nursing, rehabilitation treatment, language development training, and counseling for parents of children with disabilities. The fourth service of social service is
Activity Support Service for The Disabled. The program which was introduced in 2011 aims to increase the quality of people with disabilities’ lives. As a result, they can live independently and reduce family care burdens. The benefits of this program is given based on disability grade. This service has some benefits such as assistance with activities such as housekeeping, bathing, and nursing.

The last Korean Framework Action Social Security is public aid, this aid aims to guarantee the minimum standard of living for citizens who are unable to maintain a living or need assistance with maintaining one, and support recipients’ independence. This scheme usually form as cash transfer program. This scheme has four services: first, National Basic Livelihood Security System (NBLSS). There are seven benefits of this system, they are: livelihood assistance, housing assistance, medical care assistance, educational assistance, childbirth assistance, funeral assistance, and self-support assistance. The second and the third public aid are basic pension which was launched in 2014, and the pension for people with disabilities which was implemented in 2010. These services are the complementary of National Basic Livelihood Security System (NBLSS). Every month local governments will deliver benefits to beneficiaries through bank transfer.

C. Social Policy Alteration in Indonesia

Government of Republic of Indonesia exactly started to formulate and implement social policy in Indonesia after the strike of Asian financial crisis in 1997 – 1998. The policy divides into two major programs, they are social assistance and social security. The main difference between those two programs is the fund resource. The social assistance is financed by government’s income as tax or subsidy decrement. Whereas the fund of social security comes from member’s funding. Widjaja [18] stated about historical background of social protection in Indonesia was aimed to protect the economic life of the poor, to keep people healthy, to guarantee the school access for children, and to secure people when natural disaster happens. This social protection has two kinds of services, they are social security and social assistance.

In addition, according to the beneficiary of those programs, social policy’ beneficiary in Indonesia altered constantly from 1953 to 2004. In 1953 to 2000, the beneficiaries are public servants. That describes chronologically as: in 1953 only People’s Representatives Council that accept the benefits, in 1966 civil servant and military was added as the beneficiaries, in 1978 President and Vice President was participated, and in 2000 Minister was included. As can be read that in 2000, all public servants in Indonesia are the beneficiaries of social policy.

The giant step was made by the Government in order to provide social welfare through a social policy reform [18]. In 2004, National Social Security System (Sistem Jaminan Sosial Nasional/SJSN) was created. Trough Act No.40/2004 about SJSN, all Indonesian people have an access to social security. Consequently, they are able to fulfill their basic needs appropriately in unfortunate condition such as income declining, unemployment due to health condition, accident in the workplace, or retirement. The act stated that SJSN is a national program to provide social welfare and protection for all Indonesian people. The constitution and SJSN Act stated five philosophical background of SJSN policy making, they are: first, social protection as a constitutional right of Indonesian people. Second, providing social protection is a part of state responsibility. Third, social protection allows people to develop themselves. Fourth, social protection is based on humanity and human values. Fifth, fulfillment of decent life basic needs. SJSN implementation is based on three bases and nine principles. The three bases are humanity, benefit, and social justice. As for nine principles, they are: first, community self-help that is interpreted by participant proportional contribution which is based on wages level. Second principle is unprofitable. The program was made for delivering benefits as much as it can for all Indonesian people. Third principle is openness which allows all participant to access a complete and clear information. Fourth, carefulness. This principle pushes the provider to manage social protection fund precisely. The fifth principle is accountability. According to this principle, the program implementation and fund management should be done accurately and responsibly. The sixth is portability, the program should not be limited to participant’s origin location. It means participant can access the social protection services everywhere in Indonesia. The seventh principle is mandatory participation. Every Indonesian should be social protection participation. The ninth principle is trusteeship fund which only available to be used for participants needs. The ninth principle is the purpose of social protection fund management output is only for program developing and participation interest.

According to the type of social policy in Indonesia that contains social assistance and social security. Each of those types have several useful programs, they are BPJS Kesehatan (health insurance) and BPJS Ketenagakerjaan (labor insurance) for social security programs. While social assistance has six main programs, those are Raskin (Beras Miskin/Rice for the poor), PKH (Program Keluarga Harapan/Hope Family Program), PNPM (Program Nasional Pemberdayaan Masyarakat/National Program for Society Empowerment), BLT (Bantuan Langsung Tunai/Unconditional Cash Transfer), BSM (Bantuan Siswa Miskin/Poor Student Subsidy), and BOS (Bantuan Operational Sekolah/School Operational Assistance). Indonesian Government tends to implement social assistance better than social security. This situation is applied in United States as well, which has more programs for social assistance than social security. Mainly noted that social assistance has not need the Act, and as well-known that the process of policy making takes a lot of time. In addition, social assistance has a tangible political benefit for the government popularity.

Another precious change was made by the Government of Indonesia in 2001. The Government decide to decrease the fuel subsidy and allocated the funds for education, health, and infrastructure. In order to raise human capital through education, the Government add more scholarship for all students. There are two main scholarships that received more funds from fuel subsidy allocation, those are BSM and BOS.
Sulistyaningrum [19] stated about this social assistance impact toward students’ National Test Score as: “there is a statistically significant impact of school subsidy (BOS) on test score at 5 percent significant level for NN matching with replacement and without replacement. For individual in the treatment group, the treatment has raised the test score by 0.26 points on average for NN matching with replacement, and by 0.28 points on average for NN without replacement.”

This result proves that the alteration of subsidy orientation guides social policy in Indonesia to a sustainable impact. Consequently, all Indonesian people will receive a better and qualified social protection in a long term.

There are three points to sum up the alteration of social policy in Indonesia, they are: first, according to fund resources. There are two types of social protection in Indonesia which are social assistance and social security. The second point is about the beneficiaries. Joeadibrata [20] stated three types of social protection system in Indonesia, they are: first, social assistance programs which targeted at the poor and vulnerable people. Second beneficiaries are respectively civil servants, formal workers in private sectors, and military and police members. These beneficiaries are serviced by social insurance schemes. The third scheme is for people who are in the informal sector or uncovered formal workers, namely pocket or voluntary private insurance. The third point to view the alteration of social protection in Indonesia is through the fund allocation. The government has reduced fund allocation from fuel subsidy to education, health, and infrastructure needs.

D. The Challenges in Implementing Social Policy in Indonesia and Recommendation to Overcome Them

Social protection system in Indonesia is very ambitious. The government wants to guarantee that all Indonesian people are able to fulfill their basic need to live decently. This precious program does not seem to have a cultural, norms, and beliefs studies in order to make the compatible social protection scheme in Indonesia. The decision to make social protection in Indonesia become universal social protection system faces at least four challenges, they are political, economics, service management, and culture. First, as a developing country, on the one hand Indonesia has a need to integrate into the global economy and on the other hand the government should make sure that all citizens has an economic security guarantee in order to stable or increase the economic growth. This condition also happened to some developing countries in the world [21]. Providing social protection in developing country invite a serious threat of state bankruptcy. Therefore, the founding fathers of United States took a real attention for using government revenue as a social protection fund. The data [22] show only 13% of BPJS (Social Protection Implementing Board) participations who pay their own contributions, while 24% of participations’ contribution are paid by their company as employers’ responsibility. Unfortunately, the most of participation contribution are paid by government. It means 63% of BPJS fund are coming from government expenditure. This challenge might be answered by rising people awareness about their responsibility in public insurance scheme. People should understand that unbridge government expenditure on social protection program can drive into state bankruptcy which also lead people into financial crisis.

Second challenge is a political issue. As written before that social protection is also used for election campaign either for presidential election or local government election. Some politicians chose to provide more social assistance and social insurance because of the first program has a direct effect for his or her electability. Therefore, it will be a hard decision to increase the contribution amount for social protection programs, or to decline the amount of government contribution to financially support the program. The third challenge is the service management. Even though government claimed that there was a rising percentage of medical staff through population in Indonesia, from 0,95% in 2006 to 2,63% in 2014 [23], but in some Indonesia areas BPJS participants have a long queue to wait for getting medical services [24]. This challenge can be solved by recollecting data about supply and demand of medical needs in all areas in Indonesia which is based on demography condition. This medical need are include human resources and infrastructure resources. The fourth challenge is the culture. This challenge has a tight relation with education which affects the action of people living in poverty ([25] and people’s view of poverty. In addition, government also need to consider cultural issues in making social policy. This study can lead government to create a right frame of poverty. Consequently, the policy for reducing policy will aims its goal efficiently and effectively.

IV. CONCLUSION

Social protection program either with social insurance or social assistance scheme has a significant effect to reduce the poverty. On the one hand this program guarantees citizen to fulfill their basic needs to live decently, namely education and health. On the other hand, this program has a potential factor to lead the state into bankruptcy and experience the financial crisis. The big amount of Indonesian Government expenditure on social protection program invites the anxiety of state bankruptcy. But, according to three bases and nine principles of SJSN implementation, which one of them is providing social protection as a part of government responsibility, the most fundamental way to overcome the challenges of SJSN implementation is rising people awareness about their responsibility and rights in social insurance program.

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