Should Government be the Only Provider of Social Protection in Developing Countries? A Case of Indonesia

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ABSTRACT

The rapid expansion of social protection schemes is developing, not only in industrialized states but also in developing countries. This shift implies a growing recognition of social safety nets' essential role in achieving equitable and sustainable development. This trend is also crucial to support the global effort to alleviate poverty. This essay analyzes which actor should provide social protection in developing countries. It is essential to analyze the social protection discourse among scholars and international organizations and then examine which actor should be responsible for the protection. This study employs qualitative research, collecting the data through library research. This study argued that based on a moral, philosophical approach, ideally, the government should be the only provider of social protection. However, in developing countries, resources are limited, meaning external parties should also be encouraged to contribute to social protection schemes. This statement is proven in the case of the Indonesian government's experience in providing social protection for its people.

1. INTRODUCTION

In the early twentieth century, only a few countries, mainly European states, implemented social protection for its community. However, social protection schemes have rapidly expanded in developing countries in recent decades. This shift implies a growing recognition of social safety nets' essential role in achieving equitable and sustainable development. This trend is also crucial to support the global effort to alleviate poverty. Social protection is paramount in developing nations due to its wide-ranging effects on social stability, individual well-being, and sustainable development, and become an effective strategy against the all-pervasive cycle of poverty. By providing vulnerable populations with access to essential resources such as food, healthcare, education, and income support, social protection programs could allow them to improve their quality of life. Therefore, it is vital to analyse how the provision of social protection benefits developing countries. This essay specifically analyses which actors should provide social protection in developing countries.

Many studies emphasise that social protection strongly correlates with the welfare state approach (Goodin, 1988; Spicker, 2000). Michael Walzer (Moon, 1988) gives a general definition of the welfare state that "every political community is the principle to a 'welfare state', for all, provide, or try to provide, or claim to provide, for the needs of its members as its members understood its needs". Meanwhile, some experts point out the welfare state as provisions of welfare schemes for society on an equal basis (Bergh, 2004). However, Goodin and Andersen (as cited in Moon, 1988, p.2) have slightly different perspectives on comprehending the welfare state. They argue that the intention of the welfare state is not to equalise the classes of society, as mentioned by Bergh but to provide a certain level of goods and services to individuals or families, and it could be in the form of a minimum guarantee or in a certain level of standard that is available. (Andersen, 2012) explains that could be “guaranteeing (mitigating poverty); covering a range of social risks (security), and providing certain services (health care, child and elder care)”. Therefore, it is clear that social protection is considered an endeavour to guarantee the citizen’s welfare.

Moreover, the provision of social protections has been widely researched. One of them is McCord (2010) studied the impact of the Asian Financial Crisis on some developing countries and how this crisis triggered policy development and expanded the provision of social protection. Another research compares
how social protection of children’s rights evolves in four developing countries, Ethiopia, Ghana, Indonesia, and Bangladesh (Gabel, 2014). Gabel (2014) concluded that there is a higher probability that children’s rights will be gradually realised in well-coordinated social protection systems with broad coverage encompassing social assistance, social insurance, human capital, and empowerment activities. Meanwhile, other research sheds further light on the measures some low and middle-income states took as responses to the Covid-19 pandemic, which has widely threatened the economy of vulnerable households (See (Gerard et al., 2020; Power, 2020)). However, the previously mentioned research does not comprehensively analyse one specific example of developing countries.

From the discussion above, it is clear that few studies discuss which actor should be responsible for social security in developing countries and how it is implemented. While the necessity of social protection as a way to mitigate poverty and vulnerability in developing countries has been widely discussed, the author argues that it is also essential to analyse the discourse of social protection among scholars and international organisations and then examine which actor should be responsible for the protection. This analysis should also be complemented by an empirical example from one of the developing countries. Therefore, this study will analyse which actor ideally should be responsible for providing social protection in developing countries based on the discourse among scholars and international organisations with an empirical example from Indonesia’s experience. Hence, as an empirical analysis, this study will discuss the social protection scheme in Indonesia after 1997, particularly after the fall of Soeharto’s authoritarian government until Yudhoyono’s Presidency. Furthermore, although the constitution admits the basic human right of Indonesians, social protection before the Asian Financial Crisis was poorly developed. The 1997 Asian Financial Crisis had a detrimental impact on the majority of Asian nations, including Indonesia. The quick increase in commodity prices, the collapse of the economy, and the escalating poverty were a few of the severe socioeconomic effects of this crisis on Indonesians. This condition triggered the improvement of social policy in Indonesia. It is essential to analyse the social protection scheme that Indonesia had to recover from the crisis, specifically which actors involve in the program. Thus, this study will contribute to the empirical studies of social protection provision in developing countries.

2. METHOD

This study employs a qualitative research approach to gain an in-depth understanding of the social protection provision in developing countries. The data is collected through a library research approach, allowing the author to systematically examine existing kinds of literature. The obtained data is in the form of primary and secondary data such as books, academic journals, government documents, reports, briefs, and other relevant publications. The data is then interpreted and analysed using qualitative analysis. The structure of this paper is as follows. First, it begins with a discussion by briefly canvassing the organisations and scholarly debate regarding the definition and the actor that should involve social protection measures. Second, it will provide one empirical example of the social protection scheme in Indonesia. The last part of this paper examines whether the government should be the only social protection provider in developing countries based on Indonesia’s empirical example of social protection provision.

3. RESULT AND DISCUSSION

Defining Social Protection

Before analysing which actors should be responsible for providing social protection in developing countries, it is essential first to define social protection and then explore its emergence as a specific set of social policies. One broad definition given by the International Labour Organization (ILO) is that social protection describes programs focused on protecting basic living standards (as cited in (Barrientos, 2013)p. 25). Most scholars agree that social protection is a set of policies formulated in response to vulnerability, deprivation and poverty (Barrientos & Hulme, 2008; Conway et al., 2000; Ortiz, 2007). (Conway et al., 2000) argue that social protection also emphasises unacceptable social risks or conditions. For example, Ortiz (2007, p. 599) argues that social protection could be a form of policy that enhances the capacity of people to avoid hazards that could cause them to lose their income. Similarly, the United Nations Development Program (UNDP) also insists that it aims to enhance the ability of the poor and vulnerable to solve their economic and social risks, such as unemployment, exclusion, sickness, disability and old age (UNDP, 2006). Furthermore, the UNDP highlights that those aims require policy interventions that can enhance people’s well-being and the productive abilities of the poor, reduce poverty and inequality, and stimulate pro-poor growth (UNDP, 2006). Therefore, it can be understood that social protection is not only a set of actions or policies that aim to resolve problems that arise due to poverty but also endeavours to address the causes of poverty.

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The components of social protection also vary among scholars and international organisations. Some scholars agree that the practical elements of social security to deliver protection concretely are social insurance and social assistance (Ferreira & Robalino, 2010; Ortiz, 2007). Moreover, the ILO offers three elements: social insurance, social assistance and labour market regulation (as cited in (Barrientos, 2013), p.25). In addition to the three elements offered by the ILO, Ortiz (2007, p.599) adds child protection and micro and area-based schemes to protect communities. According to Barrientos (2013, p.24), it is important to note the difference between how the term social protection is used in developed and developing countries. In developed countries, this term covers a range of public and private schemes, such as social insurance, income protection, and social assistance, which address poverty and vulnerability. In contrast, in developing countries, social protection is defined more narrowly and consists of programs addressing poverty and vulnerability (Barrientos 2013, p.24). Subsequently, who is the main actor that should provide social protection? If we look at the moral and legal philosophy approach, many researchers, such as (Gabel, 2014; Munro, 2002) (2014, p.183; 2012, p.541), claim the state has an obligation to provide social protection to its citizens as a part of basic rights. Their notion is based on the Universal Declaration of Human Rights (UDHR), which suggests that social and economic rights are also an assertion of rights. As a result, this approach has an essential influence on how social protection should be implemented and the ability of the citizens to claim such rights from the government. This is an ideal expectation that the government should guarantee the provision of social protection for the people. Still, in practice, the government is usually unable to carry out this responsibility independently.

To provide social protection, do all states – mainly developing countries – have sufficient resources, such as funds and human resources, to ensure that social protection is delivered to the whole community? The answer is, of course, not, particularly for non-developed states. A study by Lauchlan T. Munro (2002, p.183) claims that social protection policy is usually conducted with messy funding, service provisions, and regulation from many sources in most of these countries. He further emphasises that Government would always retain a role in providing social protection measures, but it does not automatically mean that the government is always the funder and service provider so that the government may entrust other parties such as private companies (Munro, 2002, p.183). From this statement, it could be underlined that in social protection provisions, the government has a regulatory role, but it is sometimes unable to deliver it comprehensively due to limited resources. Munro’s argument is in line with research conducted by Gabel (2014, p.541), which stated that the condition in developing countries is unlike in industrialised countries, as the population is usually more significant and has a more considerable proportion of households that are more vulnerable to poverty, so the insurance and assistance provided might be inadequate. He takes Bangladesh as an example, where the government has a targeted cash transfer program for people experiencing poverty but still relies on food aid at the same time.

From the above explanation, it is found that, ideally, the government is the appropriate party to be responsible for social protection provision for its citizens without any exception, but it does not hinder the possibility of the other parties, such as companies, NGOs, IGOs to be included in that scheme. This part has elaborated on arguments made by some scholars and organisations about understanding social protection and who should idealy provide it. The next part of this study will discuss one empirical example of social protection in developing countries: Indonesia.

**Social Protection in Indonesia after the 1997 Financial Crisis and the Involvement of AusAID**

The 1997 Asian Financial Crisis undoubtedly brought negative consequences for most countries in Asia, including Indonesia. This crisis significantly impacted the socioeconomic condition of Indonesians, such as the rapid rise of commodity prices, economic collapse and increasing poverty. Unfortunately, at that time, not all citizens were covered by comprehensive social protection schemes, but only a small minority were adequately covered, such as formal employees and civil servants (Widianto, 2013). The 1997 economic crisis also led to a significant change in Indonesia’s politics, from a centralised government to a democratic state which allowed a reorientation of the social protection program. Therefore, this part will talk about the social protection scheme in Indonesia after the fall of Soeharto’s authoritarian government.

Indonesia’s constitution mentions that the state should guarantee the protection of all citizens. It is stated in Article 28H Paragraph 3 of the 1945 Constitution that “Everyone shall have the right to social security which enables their development as a dignified human being” and in Article 34 Paragraph 2 of the 1945 Constitution, which says that "The State develops social security system for all people and empowers the weak and incapable people in accordance with the dignity of humanity.” Moreover, one of the principles in Indonesia’s Basic of the State or Pancasila emphases “Keadilan sosial bagi seluruh rakyat Indonesia” or “Social Justice for all Indonesians”. It means that the constitution provides social protection as a right for every person, and the state should provide social security programs for all citizens without any exception, but the reality is far from that expectation.
The social protection program has been implemented since 1969, but it was limited to civil servants, which covered health care and pension. Subsequently, most of the researchers highlight that the concept of more comprehensive social protection grew considerably in Indonesia after the fall of the dictatorial regime, with a new focus on helping the poor and vulnerable non-poor from the impact of the economic crisis (Sumarto & Bazzi, 2011; Widianto, 2013; Widjaja, 2012). In 1998, the successive government introduced the Raskin programme or rice subsidy; and launched JPS (Jaring Pengamanan Sosial) or social safety net program for the poor under the advice of the World Bank, which covered food security, employment, education, health and community empowerment (Sumarto et al., 2002; Wilmsen et al., 2017). Moreover, there were other social protection programmes that have been implemented to improve the condition of the poor, such as unconditional cash transfers, operational aid for schools, scholarships for the poor, rural infrastructure programme, and the National Programme for Community Empowerment (PNPM) (Widianto, 2013), pp.161-165. In other words, after the crisis, the social protection policy directly targeted the poor, which was not undertaken during the new order era.

Furthermore, the transformation was also signed by the formulation of 2004 Law No. 40 National Social Security System (Widaja & Simanjuntak, 2010, p.158). This law aims to guarantee the fulfilment of basic living needs that are appropriate for all citizens, including a pension plan, health, working accident, old age and death protections (Widianto, 2013, p.171). After going through long institutional processes, Indonesia now has BPS (Badan Penyelenggara Jaminan Sosial) Kesehatan and Ketenagakerjaan or National Protection Agency, which consists of BPJS Kesehatan and BPJS Ketenagakerjaan which aims to implement the social security stated in Law No. 40. BPJS Kesehatan is trusted to organise the health insurance for the citizens while BPJS Ketenagakerjaan is to manage Work Accident Insurance, Old Age Guarantee, Pension, and Death Insurance. However, the coverage of BPJS Ketenagakerjaan is limited to formal workers (Widianto, 2013, p.172-173). In this sense, it is clear that implementing the social security program is one of the responsibilities and obligations of the Indonesian government to provide social and economic protection to the people. Like other developing countries, Indonesia develops a social security program funded mainly by participants and is still limited to formal sector workers.

Behind all of those governments' commitments to providing universal social protection for the citizens, a limited budget provides an obstacle to the successful implementation of the program. For instance, the government only allocates 2.2 per cent of the government budget to health (Chowdhury, 2016, p.3). Moreover, geographically, Indonesia is a big country that consists of more than 17.000 islands, 38 provinces, and more than 278 million of the population, making it logistically difficult for the government to distribute the program across all of Indonesia efficiently. As a result, many citizens are left without social protection, and the Universal social security provided by the government is now still limited in the health sector. In contrast, other sectors, particularly for the informal workers, still have no schemes. Therefore, foreign aid still has an important role in improving the provision of social protection in Indonesia. Specifically, Australia is one of Indonesia's largest foreign aid donors. It cannot be denied that the impact of the 1997 financial crisis led to the awareness of the Indonesian government of the importance of comprehensive social protection schemes. However, the Indonesian government also lacked experience in implementing such a program, meaning it needed to seek new ideas and inputs from other countries (Brown et al., 2012, p.7). Around that time, Australia also increased its aid contribution to Indonesia from AUD 120 million in 2003 to AUD 450 million per year by 2010, when social protection became a prioritised corporate agenda (Wilmsen et al., 2017).

Therefore, while Indonesia under the Yudhoyono presidency was accelerating social protection programs by focusing on poverty reduction, the Government of Indonesia approached AusAID to improve its support for social welfare and poverty alleviation in Indonesia (Wilmsen et al., 2017). Subsequently, AusAID, with its resources and expertise, established an institution called the Poverty Reduction Support Facility (PRSF) in response to Indonesia's request, and it became a remarkable shift in Australian aid's support for social protection in Indonesia (Wilmsen et al., 2017). PRSF was mainly to support Tim Nasional percepcion penanggulangan Kemiskinan (TNP2K) or the National Team for Accelerating Poverty Reduction, which functioned as a think tank providing advice and consolidation in improving Indonesia's programme on poverty alleviation and social assistance (Brown et al., 2012). PRSF under AusAID contributes to TNP2K activities, and the experts posed by AusAID positively influenced TNP2K's works. Senior Government of Indonesia official (as cited in Brown et al., 2012) said that “Not all policy advisers in donor agencies have the knowledge and expertise to add value ... but AusAID has the expertise to offer not only regarding programming but also regarding technical expertise.” Moreover, PRSF also had a substantial role in assisting Program Nasional Pemberdayaan Masyarakat (PNPM) or the National Programme for Community Empowerment, whereas AusAID gave $215 million of the funding and was involved directly to the PNPM support facility management (Brown et al., 2012). From 2013 until 2014, Australia’s total official
development assistance (ODA) budget to Indonesia was $601.6 million. A total of $532.4 million is administered through the bilateral aid programme, with the remaining funds going to whole-of-government partners and being distributed through regional and international programmes (DFAT, 2014). AusAID continue to provide assistance to Indonesia as part of supporting Indonesia’s Indonesia’s National Medium-Term Development Plan (RPJMN).

From this explanation, it can be understood that AusAID not only provided funding for the Indonesian Government but also supported it with the expertise AusAID has more experience in this field. This part has explained an empirical example of the social protection scheme in Indonesia after the 1997 financial crisis. Therefore, it is now essential to analyse who is the main actor that should provide social protection in developing countries by having Indonesia as an object of analysis.

**Who Should Provide Social Protection in developing countries?**

If we refer to the arguments given by most scholars written in the previous part of this paper that the forms of social protection could be social assistance and social insurance (Ferreira and Rohalino 2010, p. 2; Ortiz 2001, p. 599), the social protection policy posed by Indonesia after 1997 followed those criteria. Regardless of whether the whole population have been covered or not, Indonesia has tried to provide social assistance such as unconditional cash transfers, operational aid for schools, and rice subsidy, which were funded by the state. Moreover, it also has given social insurance such as Work Accident Insurance, Old Age Guarantee, Pension, and Death Insurance that are funded by the participants.

Furthermore, Indonesia’s constitutions and basic of the state realise that providing social protection is the state’s obligation, and the government has tried to implement that mandate. This mandate is linked to the Universal Declaration of Human Rights, which admits social security as an assertion of basic rights (Gabel, 2014; Munro, 2002). However, in the case of Indonesia, it still has limited resources, so it cannot fulfil it perfectly. In other words, the government are willing to pursue its responsibility, but limited budget and expertise became hindrances to delivering and providing it independently. This condition also proves the study by Munro (2002, p.183) that the government has a regulatory role regarding social protection provisions for its citizens, but it does not automatically mean that the government can deliver them thoroughly. In this case, after 1998, the government of Indonesia formulated Social Safety Net Program, which includes Rice for the poor, scholarship, and health care for the poor (Widianto, 2013, pp.162-163). However, those programs were reactive measures to recover the declining consumption of the poor after the crises. Besides, the government performed the regulatory role by establishing SJSN law, which is currently realised with the establishment of BPJS Kesehatan and BPJS Ketenagakerjaan (Widianto, 2013, p.172-173). However, those endeavours have not accomplished the constitution’s mandate entirely because of a limited budget and expertise. It is similar to the characteristics of developing states mentioned by Gabel (2014, p. 183) in that the population is usually greater and has a high level of poverty vulnerability, so the social insurance and assistance provided might be insufficient. Indonesia, with more than 270 million of the population in 38 provinces, undoubtedly made the government difficult to become a single provider of social protection.

Munro (2002) argued that if the government has established the regulations but cannot become a single provider and funder, it might entrust non-state actors. This is what the government of Indonesia did under the Yudhoyono administration. As explained in the previous part, Yudhoyono released a Presidential decree to establish A National Team to accelerate poverty reduction, namely TNP2K the vice president asked for support from AusAID (Brown et al., 2012). If we refer to the welfare state approach, the partnership between the government of Indonesia and AusAID, mainly in the PNPM programme, has enabled the Indonesian Government to maximise its efforts in guaranteeing the welfare of the citizens, particularly the low and middle-income individuals. Therefore, this condition implies that the government has undertaken its duty as a regulatory maker, but the resources were inadequate, so it asked other actors to help with both funding and expertise. Financial restrictions are another major issue for social protection. Higher allocations to social protection are necessary, and resources must be maximised in order to address the dangers indicated here and ensure long-term reductions in poverty. However, the fiscal resources available for social protection are expected to be constrained by Indonesia’s low rates of domestic resource mobilisation and a significant number of competing government objectives. Policies for formalisation will be crucial for raising revenue, creating better employment, and extending social insurance coverage.

Therefore, it can be underlined that the ideal expectation of the actor to provide social protection for the citizens is the government. This claim is based on the rights approach that social security is a part of basic rights. However, in the case of developing countries such as Indonesia, it has limited resources, so it became the main provider of social protection by establishing the rule, institutions and allocating the budget. The problems are that the budget is insufficient, and there is a lack of experience in that field, so the non-state actors can support the social protection measures. In other words, ideally, the government should provide social protection for its citizens independently because this would indicate that the country can
solve its domestic problems independently. In fact, due to the limited resources, the government can request assistance from other actors, such as official development aid and NGOs, where the government remains the main provider.

4. CONCLUSIONS AND RECOMMENDATION

This study has examined the discourse regarding the provision of social protection in developing countries. It also explains the social protection measures in Indonesia as a case study, particularly after the 1997 crisis with the involvement of AusAID both in funding and expert support. Ideally, the government is the only provider of social protection provision in developing countries, but the conditions are sometimes far from the expectations. The government usually undertakes its duty as a regulatory maker, but the resources are inadequate, so it needs other actors to help with both funding and expertise instead. Though the government is usually the leading actor in providing social protection, other parties, such as aid organisations, frequently support government schemes. In the case of Indonesia, the constitution mentions that the state should provide social protections for all Indonesians, and the government realises that responsibility. Regardless of whether the whole population has been covered, Indonesia has tried to provide social assistance such as unconditional cash transfers, operational aid for schools, and rice subsidy, which were funded by the state. Moreover, it also has given social insurance such as Work Accident Insurance, Old Age Guarantee, Pension, and Death Insurance that are funded by the participants. However, fiscal limitations make it necessary for outside actors, in this case, AusAID, to support the government program in funding and expertise.

5. REFERENCES


