

Development of Social Welfare in Indonesia: Situation Analysis and General Issues¹

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The questions to ask about a country's development are therefore: What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result "development" even if per capita income doubled.

Dudley Seers (1972)

The achievement of social welfare means, first and foremost, the alleviation of poverty in its many manifestations.

Howard Jones (1990)

Introduction

In industrialized, civilized and rapidly changing society, social welfare has become an important function within its national development strategies. Social welfare is not a new term, either in global or national discourses. Since 1960s the United Nations, for example, has addressed the issue of social welfare as one of the activities of international community (Suharto, 2006). The UN defines social welfare as activities organized to help individuals or communities to meet their basic needs and improve their welfare in accordance with the interests of family and society. DuBois and Miley (2005) define social welfare as those social provisions and processes directly concerned with the prevention and treatment of social problems, the development of human resources and the improvement of quality of life. Both definitions basically delineate that social welfare is an institution or a field of activities involving organized activities carried out by government and private institutions aimed at preventing and addressing social problems as well as at improving the quality of life of individuals, groups, and society.

¹ Presented at International Conference on Building Capacity and Policy Networking for Effective Welfare Development, Center for International Administration Studies, National Institute of Public Administration, Jakarta 18-19 November 2009

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In Indonesia, the term social welfare can be found in Law No. 11 of 2009 concerning “Social Welfare”. Closely examined, it contains two kinds of meanings: firstly, social welfare as a condition in which material, spiritual and social needs of citizens are fulfilled and secondly, social welfare as an organized activity, widely known as the development of social welfare (*pembangunan or penyelenggaraan kesejahteraan sosial*) implemented in the form of social services consisting of social rehabilitation, social security, social empowerment and social protection (Suharto, 2009a). The main target or beneficiaries of social welfare is the poor and vulnerable people (e.g. homeless, street children, child labor, migrant workers), although general population especially those facing social problems (e.g. persons with disabilities, persons with HIV/AIDS, victims of domestic violence) can also be the recipients of social welfare programs.

Situation Analysis

The situation of social welfare in Indonesia can be seen in the Human Development Index (HDI). In 2007, Indonesia’s HDI ranked 107 among 177 countries of the world. Compared with the index in the ASEAN neighboring countries, it shows that Indonesian’s standard of living was above Laos (130), Cambodia (131) and Myanmar (132). However, while this position was far below Singapore (25), Brunei Darussalam (30), Malaysia (63), Thailand (78), and the Philippines (80), this ranking was also surpassed by Vietnam (105), which ranked 109 in 2006 (UNDP, 2007; Suharto, 2009a).

The HDI is a composite index that measures the average achievements in a country in three basic dimensions of human development: economic (a decent standard of living indicated by gross domestic product/GDP per capita in Purchasing Power Parity US dollars/PPP US\$); health (a long and healthy life measured by life expectancy at birth); and education (access to knowledge examined by adult literacy and combined gross enrolment in primary, secondary and tertiary level education) respectively (UNDP, 2007). Therefore, this low HDI does not only indicate the failure of economic development and the low quality of human resources, but also reveal the failure of social welfare development. This is supported by the fact that poverty and human misery are still among the most serious social problems in Indonesia.

Although the rate of poverty between 2002 and 2009 tends to decrease, the absolute number is still considerably high. In 2008 and 2009, for example, the number of people living in poverty was 35 millions and 32.5 millions respectively, accounting for 15.4 percent and 14.1 percent of the total population correspondingly (CBS, 2009). This gloomy picture of Indonesian welfare will even look worse if it includes those categorized as “people with social problems”, dubbed by the Ministry of Social Affairs as “*Penyandang Masalah Kesejahteraan Sosial (PMKS)*”, comprising of millions of people, such as neglected child (3.9 millions), neglected child under five years (1.5 millions), disabled (3.1 millions), neglected elderly (2.7 millions) and other disadvantaged groups (homeless people, beggars, prostitute,

persons with HIV/AIDS, remote traditional community, street children, child labor, etc) accounting for more than 11 millions people (MOSA, 2009).

What Goes Wrong?

Looking at this gloomy portrait of development, the question is: Does it mean that since its independence 64 years ago, Indonesia did not make any progress? The answer is no. There are some indicators that show Indonesia's progress. The problem is: the progress is relatively slow and other countries make faster progress.

In the last decade, economic liberalization and political democratization have made major improvement (Husodo, 2006: 1-2). The economic system is now witnessing the shift from overregulated economy to market economy, and the political system has also shifted from centralistic to decentralistic. Bank Indonesia has become more independent, the president is directly elected, the House of Representatives is stronger, government administration is more accountable, trading permit procedures have become more transparent, regional autonomy has increased (some regions even have different system from the national system). These are some examples of the progress.

However, amid the on-going progress, the progress of other countries is faster than Indonesia (Husodo, 2006; Suharto, 2008). A UN expert, Prof. Jeffry Sach points out an interesting comparison of economic indicators. In 1984, Indonesia's export was US\$ 4 billion, while China's export was only US\$ 3 billion. But 20 years later, China's exports had reached US\$700 billion, while Indonesia's export was only around US\$70 billion. *World Investment Report 2006* shows that foreign direct investment to China in 2004 reached US\$ 60.6 billion, while in Indonesia it showed negative number. It means that more investors withdrew the investment from Indonesia. They moved to other countries which they thought more profitable. Even Indonesian investors themselves in 2004 invested around US\$ 107 million abroad. Uncertainty of law, unstable security, and unfavorable fiscal policy which was not conducive make Indonesia uninteresting for investment.

As a country with remarkable natural resources and the potentials of comparative advantages, the downside of Indonesia's development should make us aware that something is wrong in the development and the management of this country. In short and with reference to the Indonesia's development strategy and the issues of social welfare development, there is a number of factors explaining why the country still faces serious and multifaceted social problems. Five issues are worth to be highlighted:

- ***The mainstream approach of national development in Indonesia relies heavily on economic growth and foreign debt within the context of neoliberalism policy interventions.*** While it lacks of strategies that have direct impacts on poverty,

unemployment and inequality, the economy is often vulnerable due to “debt trap” and global crisis. Two books entitled *Globalization and its Discontents* written by Nobel Prize winner Joseph E. Stiglitz (2003) and *Confessions of an Economic Hit Man* by John Perkins (2004) are proofs of development failure depended heavily on economic growth, foreign debts, and neo-liberalism ideology. After it had been practiced for more than 30 years, the approach failed to eradicate poverty. It only caused bubble gum economy and nurtured shaky conglomeration, corruption, collusion and nepotism (KKN), social injustice which generated 25 percent of very rich people exceeding the average of Malaysian rich people. Some even become world-class jet-sets with trillions of rupiah of wealth (Husodo, 2006; Suharto, 2008).

- ***Poverty alleviation programs are dominated by “project-oriented” interventions employing ad-hoc, partial and residual methods.*** The programs tend to be curative and rehabilitative in nature and lack of preventive measures. All poverty reduction policies depend heavily on means-tested targeting. Such poverty reduction programs as Family Hope Program (Program Keluarga Harapan/PKH), Rice for the Poor (Beras Miskin/Raskin), and National Program of Community Empowerment (Program Nasional Pemberdayaan Masyarakat/PNPM) are targeted to the poor. This approach cannot prevent people from becoming poor since beneficiaries should be poor first before receiving the anti-poverty programs.
- ***Public policy is mainly concerned with state administration and bureaucracy affairs. It lacks of responding social policy issues concerned with such welfare strategies as social rehabilitation, social security, social empowerment and social protection which are administered in institutionalised and sustainable ways.*** Indonesia is one of four countries (with Cambodia, Laos and Pakistan) where social protection systems are very limited (OECD, 2009). In this country about 60 percent of the population is still living without any kinds of social protection (Suharto, 2009a). Formal social protection schemes, such as Health Insurance (Asuransi Kesehatan/Askes) and Social Security for Workers (Jaminan Sosial Tenaga Kerja/Jamsostek) have only covered those working in the formal sector (Suharto, 2009b). Although informal employees and the self-employed are the majority in the labour force, they are not covered by these formal social insurance schemes. Social assistance programs provided by the state, mainly by the Ministry of Social Affairs, are very limited and partial. When the Asian financial crisis hit the ASEAN region in 1997-98, the heavy reliance on traditional family-based social protection systems and, in some cases, a poorly developed infrastructure for administering social protection programmes, led to the failure of Indonesian government to respond effectively to the needs of its citizens (Suharto, et al., 2006).

- **State commitment and obligation toward the fulfillment of citizen's social rights are low.** Social expenditure ratios in Indonesia are below 2 percent of national GDP, far below the 4.8 percent average for 15 Asian countries and the 20.5 percent average for 30 OECD countries (OECD, 2009). Indonesia notes very good progress over the past two years in reallocating spending (from inefficient subsidies) towards pro-poor programs (World Bank, 2007). However, this country is still considered under-spending in key sectors, such as infrastructure and health. For example, the level of spending on the infrastructure and health sectors, accounting for 10.2 percent and 4.2 percent of total expenditures respectively, is rather low by most international standards (World Bank, 2007).
- **Decentralization tends to limit the responsibility and capacity of local government in dealing with social problems.** When receiving the allocation of power from central government, many local governments, especially at district level (kabupaten/kota), are applying the principle of “functions follow money” rather than “money follow functions.” As a result, the stronger power of local governments tend to be exercised to increasing local revenues (PAD) rather than providing social services to the residents. Moreover, in terms of local regulations (PERDA), decentralisation has produced a number of PERDAs that are “not pro-poor”. According to Hafidz Abbas, Head of Board of Research and Development, Ministry of Law and Human Rights, out of thousands of existing PERDAs, 85 percent of the regulations are made to increase PAD, 10 persen to claim local government’s assets, and only 5 percent which is really “pro-poor” (Media Indonesia, 24 January 2008).

Lessons Learned

Economic development is necessary for the improvement of quality of life in a country. In order to be equitable and sustainable, economic development should be done fairly and in accordance with the development of social welfare. Social welfare is an important element in social policy strategies for eradicating poverty and reducing multidimensional deprivation. But social welfare is not the only approach of poverty reduction initiatives. In order to have sustainable and effective results, it needs to be implemented in combination with other approaches within the overall context of socio-economic development. Social welfare policies should be put integratively within a broader set of policies on macro-economic development, employment programs, and education and health policies and be established to reduce risks and deprivation as well as to encourage growth with equity and sustainability.

Lessons from the bulk of literature on social welfare and social protection show that the provision of basic social services and protection for the vulnerable people can be affordable even in low-income economies, and that it always has a significant positive economic impact

on the aggregate national development goals of the country concerned (John, 2002; von Hauff, 2002; Shepherd et al 2004; Suharto, 2009a; Suharto, 2009b). Whilst it is estimated that significant social services and protection can cost less than 5 per cent of GDP, they have significantly short- and long-term benefits to the economy. Therefore, the relationship between social welfare and economic development should not be seen as a trade-off, as there are many ways in which reducing risk and vulnerability serve to increase investment and growth, positive associations which can be maximized (Suharto, 2009b).

What Should be Done?

There is a need to have the paradigm shift in the development of social welfare. While the system should be responsive to the dynamic and more complex social problems, the approaches need to celebrate the principles of human rights, democratization, and the role of civil society both in the formulation and in the implementation of social programs. This paradigm shift encompasses six broad themes:

1. *The result of development should benefits all people*

In the past, the results of development benefited only a small portion of community which caused socio-economic gap. Now, we need to reform the process of development to make it more poor people-oriented by providing chances to people with social problems to get an access to development resources, including easy access to capital, social services and sustainable social protection schemes. The poverty reduction programs that have affect on direct income distributions to the poor need to be expanded, not be down-sized. For example, cash transfer programs such as Unconditional Cash Transfer or BLT (Bantuan Langsung Tunai) and Family Hope Program or PKH (Program Keluarga Harapan) need to be integrated into National Social Security System (Sistem Jaminan Sosial Nasional/SJSN) schemes so that the poor and other citizens can be protected by the institutionalized social protection schemes. Existing social assistance schemes provided by the Ministry of Social Affairs need to be developed in terms of kinds of assistance and number of beneficiaries.

2. *The strategies of development need to considers human being as subject of development*

The paradigm of development in the past focused more on economic growth and physical development, and considered human being as objects, so it caused dehumanization in development. The existence of people with social problems as objects of social welfare development had positioned them as passive recipients of social assistance which was given as charity. The development paradigm that positions human beings as subjects of development will position the people with social problems as active players in activities meant for them and gives proper appreciation to their potentials and resources.

3. *The approaches of development need to reflect on local potentials and culture*

In the past, development tended to standardize models of development and hence to ignore local potentials and culture. As a result, people with social problems become

dependent upon external assistance. Therefore, the empowerment of people with social problems should be implemented by digging out, maintaining and developing social resources, including local wisdom. Socio-cultural values, such as social solidarity, cooperation, and trust should be optimized as basic resource in creating social responsibility. The improvement of wellbeing of people with social problems need to involve active role, care and capacity of the people in accordance with their potentials and culture.

4. Basic social services are provided for all citizens

In the past, basic social services could only be enjoyed by the wealthy people or by selected poor (narrow targeting approach). Accessibility to basic social services should be open to all people (universal approach), including people with social problem who so far have been marginalized.

5. Empowerment of people with social problems become joint-commitment between the central government and local government

During the centralistic era, poverty eradication was the responsibility of central government. Following the decentralization of development, the policies and programs of empowerment should be the responsibility of both central government and local government. The relationship between central and local government is no longer structural but functional. Local governments need to have strong political will in designing and implementing social welfare programs for their citizens.

6. Empowerment of people with social problems is done on individual, family, group and community basis, and in an integrated way

In the past, the emphasis of intervention of people with social problems was on group approach. Assistance was in uniform in the form of objects/tools. Empowerment of people with social problems should not be done by group approach only, but also by individual, family, group and community approach. The facilities to be provided should also be in various forms in accordance with the potentials and needs of people with social problems, including access to financial assistance.

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