



# **A Study of the Shift towards Universal Social Policy in Indonesia**

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## List of Acronyms

SJSN	Sistem Jaminan Sosial Nasional (National Social Security System)
UNRISD	United Nation Research Institute for Social Development
DJSN	Dewan Jaminan Sosial Nasional (National Social Security Board)
ILO	International Labour Organisation
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Government's Technical Cooperation for Development)
INFID	International NGO Forum on Indonesian Development
TASPEN	Tabungan ASuransi Pegawai Negeri (Civil Servants Savings Insurance)
ASKES	ASuransi KESehatan (Health Insurance)
ASABRI	ASuransi Angkatan Bersenjata Republik Indonesia (Armed Forces Insurance)
ASTEK	ASuransi TEnaga Kerja (Workers Insurance)
JAMSOSTEK	JAMinan SOSial TEnaga Kerja (Workers Social Protection)
ASKESKIN	ASuransi KESehatan masyarakat misKIN (Health Insurance for the Poor)
JAMKESMAS	JAMinan KESehatan MASyarakat (Community Health Protection)
JPS	Jaringan Pengaman Sosial (Social Safety Nets)
BLT	Bantuan Langsung Tunai (Cash Transfer)
BPJS	Badan Pelaksana Jaminan Sosial (Social Security Administering Body)
KAJS	Komite Aksi Jaminan Sosial (Social Security Action Committee)
PKH	Program Keluarga Harapan (Family Hope Programme)
RASKIN	beRAS misKIN (Rice for the Poor)
BSM	Bantuan Siswa Miskin (Scholarship for Poor Students)
PBI	Penerima Bantuan Iuran (Recipient of Contribution Subsidy)

## **Abstract**

This research paper seeks to understand the perceived shift towards a more universal social policy in Indonesia, as demonstrated by the realisation of the Indonesian national social security system (*Sistem Jaminan Sosial Nasional*, in short SJSN). The SJSN features the principle of social insurance, and aimed to provide social security to all citizens of Indonesia.

After many years of focusing on pro-poor and targeted approach on fighting poverty, there seems to be a change in trend to universalism in developing countries. Against this background, the case of SJSN in Indonesia is studied, to find out why Indonesia decided to follow this trajectory and whether there really is a shift towards a more universal social policy.

Despite many criticisms on the technicalities of its implementation, the SJSN seems to promise a new direction towards a more rights-based, equitable social welfare. It could eventually provide security and protection also to those often denied of access, those who are not poor to be entitled to social assistance yet not rich enough to buy services. However, another closer look on how it emerged, evolved and developed may shed light on the possibility that SJSN is only sustaining the current Indonesian segregated welfare system.

## **Keywords**

Social policy, social security, universalism

# Chapter 1 Introduction

'But Indonesia is now embarking on something more systematic: it is laying the foundations of a welfare state' (The Economist, 2012a).

This recent portrayal by The Economist of the changes in social welfare systems in Asia<sup>1</sup>, highlighting the case of Indonesia, describes a trend across the countries in the region to extend the social welfare provision to all citizens. This includes provisions of most importantly health insurance and pension, as well as other social security benefits.

After many years of targeted and pro-poor poverty alleviation in developing countries that originate from the 1980s, the notion of reducing inequality and not only eliminating absolute poverty seems to take centre stage again, as has been evidenced by organisations such as UNRISD, ILO and to certain extent the World Bank which promote the return of universalism (Deacon; 2005). This shift may be attributed to the acknowledgement of the importance of universal social policy in reducing poverty and inequality. From the debate on targeting versus universalism a notion has emerged that the reduction of poverty and inequality is more successful when a universal approach is used (Lawson, 2010; Mkandawire, 2005). This is exemplified by the Western welfare states (where universal social policy has been practiced) as well as the successes of high achieving countries<sup>2</sup>.

In Asia, after an impressive economic development collapsed as a result of the financial crisis in 1997-1998 which pushed a lot of people into poverty, there seems to be a social policy reform taken place to respond to this (Ramesh, 2000; Haan, 2010:171-173). In Indonesia, however, where a pro-poor growth model has been the strategy from the 1960s, social assistance programmes targeted at the poor have been extended to respond to the crisis. Yet, the decline of poverty in Indonesia whilst the economy recovered to the level prior the crisis has been disappointing. The financial crisis has triggered the fall of the new order and given way to democracy.

In 2004, the Government of Indonesia issued a law governing the national social security system (Sistem Jaminan Sosial Nasional, henceforth SJSN) which aims at integrating and providing social security to all citizens. It will employ a social insurance system based on contributions from members, with a government subsidy for the poor. The SJSN is planned to be rolled out in January 2014. Compared to the current system of social policy in Indonesia, the SJSN seems to offer an approach that is different from the current system which, among else, will provide welfare based on citizen rights.

The current formal social security system in Indonesia is targeted at formal workers (which consist of civil servants, the armed forces and private sector employ-

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<sup>1</sup> The Economist defines Asia as both East and Southeast Asia excluding Japan.

<sup>2</sup> Ten countries – Costa Rica, Cuba and Barbados from Latin America and the Caribbean; Botswana, Zimbabwe and Mauritius in Africa; Kerala state (India) and Sri Lanka in South Asia; the Republic of Korea and Malaysia in East Asia, for which some of the social indicators are as good as for developed countries (see Mehrotra, 2000)

ees), and the poor and other vulnerable people. Besides from this government system, social security can be obtained through private insurance or out-of-pocket user fee and informal networks such as family or religious/charity organisation. Although the majority of the people in Indonesia work in the informal sector, the current system has no coverage for them, unless they are considered poor. This current system has left 60% of the population without health insurance (World Bank, 2012a).

The official documents on SJSN mention the concepts of universal or comprehensive social security and social insurance. The SJSN itself has been developed with the reference to some European welfare states as well as other neighbouring countries in Asia which have been successful in implementing a more universal social policy. However, social insurance systems are not new to Indonesia and have for example been used for the arrangement of old age and health insurance for the civil servants since the 1960s. The implementation of SJSN will integrate and build on the existing social security systems and extend them to the informal sector.

Despite this positive outlook, many have scrutinised the SJSN even since its early inception in 2001 on its technical issues such as the required government capacity, the political willingness, the lack of both fiscal and econometric analysis, the feasibility to extend this to the informal sector and the questionable sustainability. However, the conceptual factors surrounding the development of the SJSN seem to receive less attention.

Against this background, the evolution of social policy in Indonesia as illuminated by the case study of SJSN and an overview of the history of Indonesia will be studied in order to understand:

1. whether SJSN represents a shift towards a more universal social policy in Indonesia
2. whether SJSN constitutes a gradual or radical change from its current social policy trajectory
3. which are the factors that determined this possible shift towards universalism

The question whether SJSN represents a shift towards universalism is an important one because even though, as Mkandawire (2005:1) pointed out, '[p]olicy regimes are hardly ever purely universal or purely based on targeting, however; they tend to lie somewhere between the two extremes on a continuum', the question 'where they lie on this continuum can be decisive in spelling out individuals' life chances and in characterizing the social order'.

## Methodology

This research uses SJSN in Indonesia as a case study to illuminate the discussions on the alleged shift towards universal social policy or welfare state as may have been observed in Asia. The SJSN will be studied in the following manner.

First of all, in order to answer the question why Indonesia embarked on this apparently new trajectory, a historical institutional approach is adopted to analyse the events in the history of social policy in Indonesia that precede and influence this (institutional) development of the SJSN. This approach allows explorations on the critical junctures at which the political economic processes - or perhaps solidaristic efforts - might have influenced the path leading up to the shift in social policy. Rather than looking at a development trajectory as having to follow a certain order, the his-

torical institutional approach views the political and social context as determining factors in understanding the ways in which the trajectory can influence or be influenced by history (Thelen, 1999; Steinmo, 2008).

Secondly, in analysing whether the shift towards more universal social policy is taking place in Indonesia, a different set of qualitative methods are applied. Inspired by Esping-Anderson's (1990) 'comparative dimensions of welfare-state stratification' model as well as Fischer's (2011) three dimensions of universalism, a set of criteria is developed to compare the situation before and after the SJSN was established. The criticism on the Esping-Andersen's welfare state typology as well as the possible Euro-centric comparison have been taken into consideration, in order to ensure that the criteria are appropriate in the Indonesian context.

Both approaches above draw on a body of literature consisting of official government documents, academic literature and media debate. For this desk-based research, information to verify and complement the study was planned to be obtained from phone interviews with key actors<sup>3</sup> involved in the development of the SJSN. Interviews with key informants from the government, parliament, and business sector were attempted but failed to materialize. Three interviews with representatives of three respective development organisations (INFID, GIZ, and ILO<sup>4</sup>) were however carried out. The result from these interviews will not be quoted in this research paper, but have been valuable in gaining insights for the analysis as well as for advice to obtain additional literature. Any references to any of the above organisations come from their relevant publications.

The analysis will be concluded by offering a couple of causal theories based on critical junctures in the Indonesian social policy trajectory which have influenced the initiation of the SJSN, as well as by demonstrating a possible shift as it is judged against the criteria of universalism.

## Organisation of the Paper

The paper will present the research in six chapters. Following the first chapter of introduction to the focus and methodology of the research, chapter two provides the theoretical framework on welfare state building and universalism, against which the case of SJSN is analysed. This comprises debates on the evolution of different types of welfare states as well as a definition of universalism as a characteristic welfare states.

Chapter three describes the historical trajectories of social policy in Indonesia in order to better understand the background of the inception of SJSN. It looks at so-

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<sup>3</sup> The key actors of the SJSN include the members of the national social security board (*Dewan Jaminan Sosial Nasional* / DJSN)

<sup>4</sup> INFID (International NGO Forum on Indonesian Development, [www.infid.org](http://www.infid.org)) is a national network that facilitates dialogues among local/national NGOs, the government, multilateral development agencies and private sector in promoting anti-poverty policies in Indonesia; GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit, [www.giz.de](http://www.giz.de)) is a German Government's technical cooperation for development. GIZ has been involved in supporting the Indonesian government specifically on the social health insurance system following the issuance of SJSN Law; ILO (International Labour Organisation, [www.ilo.org](http://www.ilo.org)). ILO has also been involved in the issue of extending social security in Indonesia to the informal sector.

cial as well as political economy characteristic of social policy development in Indonesia which can be categorised as elements of welfare states and universalism.

Chapter four explains in detail the SJSN itself: the model, the current situation and the criticism and debates surrounding it.

Chapter five consists of an analysis of whether SJSN indeed represents a shift towards a more universal social policy and also whether similar shifts can be distinguished at critical junctures in the history of Indonesian social policy.

Chapter six provides conclusion for the answers to the research questions.

## **Chapter 2 The Coming of Age of Universalism and Welfare State Building (theoretical framework)**

The terms universalism and welfare state often lead to different interpretations or used interchangeably, as both are rather ambiguous yet interrelated. In the development literature both terms are sometimes used interchangeably.

The idea of a 'welfare state' is commonly associated with the (Western) European social welfare system where the provisions are universal, i.e. reaching the whole population where the state normally plays a big role in managing this form of risk pooling. There is usually a compulsory contribution, either through taxation or direct contribution e.g. percentage of salary.

Universalism is often associated to universal coverage (Mkandawire 2005:1), however according to Fischer (2010:41) '[u]niversalism is best understood as provisioning through integrated and de-commoditised systems financed indirectly (i.e. not at the time of need) by progressive forms of taxation (i.e. progressive income tax, corporate tax, capital gains tax, etc), rather than through segmented systems financed directly and regressively (i.e. user fees, out-of-pocket payments, etc)'.

Understanding the intricate linkages between universalism and welfare state will give a thorough view when analysing the concept of universalism and different extent of universalism.

### **The history of universalism within the welfare state**

The foundation of the European welfare state was laid in 19th century Germany when Chancellor Otto von Bismarck passed a law that instituted risk pooling, through a social security insurance system for workers (Wendt and Gideon, 2011:253). It consisted of health, work-accident, old age, and disability insurances, with benefits provided depending on contribution pro-portion to wage (ibid)

The ways in which welfare state is associated with universalism can be traced back to the writing of Titmuss (1965) on the development process of the 'welfare state' in England. The hallmark of this process was the Beveridge report from 1942 which suggested a social insurance system which guarantees minimum benefits for all citizens (Baldwin, 1990:117, Quadagno, 1987:11, Wendt and Gideon, 2011:254) as opposed to the means-tested poor relief assistance that had been embedded in the law since the 16th century. In response to the persistent poverty in society and unemployment, Beveridge proposed that everyone would contribute a uniform amount (from general tax) and receive universal benefit. Following on this report, in 1948 the application of a welfare state was established. According to Titmuss (1965:16) it conveyed both 'redistributive objectives' which were rooted in the assumption of a fairer outcome for all, as well as 'non-discriminatory objectives' which carried the idea of social integration and required 'the legal enactment of universal (or comprehensive) systems of national insurance, education, medical care, housing and other direct services'.

This type of universal, tax-financed system was also adopted in the Scandinavian countries, since then well-known as the Nordic welfare states. However, the initial emergence of Nordic welfare state was not articulated by the redistributive

or non-discriminatory objectives as in England. For example, the old-age pension reforms, which marked a shift towards a universal social policy in Denmark and Sweden, came about as the result of the farmers' struggles instead of the urban labour movement (Baldwin, 1990:55-65). Both Denmark and Sweden were agrarian societies in which farmers made up a large portion of the labour force. In Denmark, the farmers refused the proposed contributory scheme and pushed for financing through indirect state tax, which would affect urban dwellers through consumption. Whilst in Sweden where the rural-urban opposition was insignificant, the farmers put pressure on the government against the Bismarckian social insurance model as the wage-based contribution was deemed to mainly benefit the urban wage earners.

Other countries in Europe also evolved into some form of a welfare state during the 1960s and 1970s. Germany's Bismarck model of social insurance has since then been adopted more in the continental Europe, whilst Beveridgian tax-based is more prominent in the Nordic welfare state. However, looking at what is now labelled as a welfare state, it is impossible to say that there is one pure form of either Bismarckian or Beveridgian model. The political economy trajectory of each country greatly determines how the social policy is formulated. Moreover, 'this difficulty is compounded because the emergence of social policy as a branch of government has, with rare exceptions, been piecemeal and haphazard, reactive rather than proactive' (Gough and Wood, 2004:18-19).

In the study to analyse the differences in (Western) welfare states, Esping-Andersen (1990) clustered 18 countries into three types of regimes, namely conservative, liberal and social democratic based on what he claimed to be the three prominent characteristics of the welfare states. The first characteristic is 'decommodification', which defines to what level of social provision is considered a social right. The second is 'social stratification' which is the level of equality of the outcome, and the third is the 'nexus of state and markets' to identify the level of reliance on the market. The classification of Esping-Andersen, despite being criticised for not including the informal network and gender (Arts and Gelissen, 2002) remains one of the most prominent studies on welfare states.

## **Issue of redistribution**

Redistribution is about transferring resources from the well-off to the poor (vertical redistribution), or from the economically active to the aged, children, sick, and unemployed (horizontal redistribution) (Uusitalo, 1985). Universalism implies equal social welfare provisions for everyone regardless of social status or income strata. In spite of this implication, in his analysis of universalism Mkandawire remarked that '[o]ne major political weakness of universalism was the gap between its universalist proclamations and the actual reach of its policies. In practice, universalism was stratified and tended to apply to social groups directly linked to the nation-building project (state functionaries, military) and to the industrialization project' (Mkandawire, 2005:4), however in practice, the link is not always as strong.

## **Universalism in developmental welfare states**

The welfare system in East Asia (Japan, Taiwan, Singapore, Hongkong) in the 1980s and Southeast Asia (Malaysia and Thailand) in 1990s which apparently have been successful in keeping low public spending on welfare yet still able to maintain high

economic growth and high social indicators has attracted interest of the West (White and Goodman, 1998), as high welfare expenditures of the Western welfare states are an important subject in the criticism of the universal social policy.

The welfare regime of East and Southeast Asian countries, however have been known to be 'productivist', where social policies are put in place in order to support the economic development policies (Gough, 2004). Within this system there is a mix of the market, enterprise social benefit and family based systems (ibid). Asian productivist regimes tend to give preference to education as a way to develop oneself or achieve better life instead of providing welfare (Ramesh and Asher, 2000).

Universalism in the developmental welfare state is not as significantly discussed. In discussing the productivist Southeast Asian countries, Ramesh and Asher (2000) identified the following characteristics

- Reliant on compulsory savings
- Superior benefits to civil servants and military
- Large gaps in coverage
- Sparing use of public assistance mechanism
- No indication of serious consideration to expand to statutory social policy
- Government is heavily involved in health provision yet still small expenditures on health
  - Education receives most attention
  - Increasing role of private sector (in commodifying welfare)

These five elements of the emergence of Asian welfare, welfare as rights, organised labour movement, capitalism, strong middle class, democracy, will be used to look at a shift towards a more universal /welfare state policy in Indonesia.

## Chapter 3 The History of Social Policy in Indonesia: The Road to SJSN

Before looking into the new social security system in Indonesia in more detail, it is useful to understand the context in which social policy in Indonesia has evolved. Drawing on the history of Indonesia, the key events on the path leading up to the development of the SJSN, will be described. This part is not intended to cover the vast and diverse history of Indonesia, but instead it will focus on certain critical junctures. ‘A critical juncture may be defined as a period of significant change, which typically occurs in distinct ways [...] and which is hypothesized to produce distinct legacies’ (Collier and Collier, 1991:29). In chapter 5, these identified junctures will be analysed against the dimensions of universalism to seek whether there have been incidence of shift prior and leading to the SJSN.

This study of Indonesia’s social policy trajectory will start at the modern history of Indonesia from the mid-twentieth century onwards. The political entity Indonesia came into existence in 1945 after the proclamation of independence, although only by 1949 the Dutch acknowledged Indonesia’s independence (Brown, 2003:3). As one of the newly formed independent nations during the process of decolonization, Indonesia inherited many aspects of its state-administrative system from the Dutch, whilst also being influenced by international politics (Vickers, 2005:2-3)

It is important to note that the history of social policy in Indonesia is undoubtedly influenced by the Ethical Policy of 1901, long before Indonesia came into being. Throughout the 19th century, the apprehension over the ‘inequities of colonialisation’ and the ‘natives’ declining welfare’ was started to be voiced by some concerned individuals. This resulted in the implementation of Ethical Policy, which aim is ‘to bring progress and prosperity to the natives including provision of education and other opportunities’ (Vickers, 2005:16-25). Although it was rather broad, contained hidden policies to profit the colony, and mainly benefited the elites, this policy could be seen as an incipient form of social policy (ibid). In fact, some elements of social policy in modern Indonesia can be traced back to this earlier “welfare” provision, for example the emphasis on education and the introduction of transmigration to open new agricultural land outside of Java.

During Dutch occupation, the plural society was segregated into three hierarchical layers based on ethnicity, with the Dutch and other European ‘races’ in the first stratum, followed by the Far East race (Chinese, Arab, Indian), and finally at the lowest is the indigenous<sup>5</sup> (Yasmine, 2012:100). This ethnicity-based stratification was paralleled by a stratification based on occupational status. This stratification walked broadly from big businessmen, via traders, down to labourers and farmers and was used to determine privileges (ibid). This segregation continued after independence and shaped the societal structure and class relations of modern day Indonesia, although these are not based on ethnicity so much any but rather on occupational status and level of income.

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<sup>5</sup> The indigenous race was further sub-divided, which partly related to the plurality of the Indonesian archipelago. People from Java Island were usually given privileges. This was arguably due to more frequent and intense contact, as the Dutch colonial government was centred in Java.

Also, in Indonesian society, informal networks such as family and kinship relations are still a big part of social security. In the colonial time, this was often the only form of social security available, and continued to be deeply embedded in the culture. As can be seen throughout the history of Indonesia, this informal network is perceived as being the primary provider of social security. This may partly explain why development of formal social security in Indonesia has been slow; it is not seen as a reliable welfare provider. Although this may be a self-perpetuating mechanism.

The following overview of the history of social policy in Indonesia will focus on the evolution of the formal social security system.

## **The declaration of independence and the new-found democracy: 1945-1959**

This first critical juncture in this study is the moment of independence which gave way to a period with an uncertain political situation. After independence from Japan<sup>6</sup> was proclaimed by the first President Soekarno and Vice president Hatta, the Dutch re-entered and transformed the governmental system into a federation state that granted increased autonomy to several provinces. In 1949 the Dutch finally left and Indonesia returned to being centrally organized state (*negara kesatuan*) based on popular representation and a new constitution. However, the legacy of the federation state coupled with regional discontent motivated several separatist movements between 1950 and 1958.

During this period the focus of the government was to build and govern the nation state under its new-found independence and through democracy. No formal security systems were instituted, except for a fully-funded government pension for civil servants with regulation that dates back to 1949 (Purwoko, 1996:57). In line with the objective of building the country, the education sector received the most attention. 'In the mid-1950s, the government decided to establish a university in each provincial capital' (Ramesh and Asher, 2000:122).

During this period of liberal democracy, there was freedom to organise and since 1950 there was a big labour movement with the founding of hundreds of labour unions as well as more than 10 labour federations (see Diniari, 2012:220-221). This development coincided with the takeover of all foreign (mostly Dutch) businesses to become 'nationalised'.

This period ended with President Sukarno's presidential decree declaring a return to the original constitution from 1945 and a change to a 'guided democracy'.

## **The guided democracy and the big state: 1959-1965**

This period is also known as the end of liberal democracy. In response to economic instability and the emergence of separatist movements, President Sukarno decided that liberal democracy was not a supporting factor for economic development. The reasoning was that it led to people trying to fight for their own interest (Syafie, 2011:32). As the president installed his guided democracy, the economic policy fol-

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<sup>6</sup> In 1942 the Dutch surrendered to Japan and Japan occupied Indonesia from 1942-1945.

lowed suit. In this period the government took a great control over the economy (ibid:33; Robison and Hadiz, 2004:45-46).

With respect to social policy, in 1963 a saving plan (for old age) and life insurance for civil servants (*Tabungan Asuransi Pegawai Negeri*, or in short TASPEN) was established with a system of compulsory contribution of 3.25% of wage (Purwoko, 1996:57; Fahmi, 2002:18). This was followed in 1964 by a voluntary social security fund for industrial workers (Fahmi, ibid).

Alongside this development, President Sukarno's association to the Eastern block (despite being one of the initiator of the Non-Block movement) became more prominent as well as his relationship with Indonesia's communist party. The labour movement was still active but was taken over by politics (especially by the communist party) during this period and therefore had less focus on the issues of labour relationship or welfare (Diniari, 2012:220-221). This period ended with a deteriorated economic condition, issues of corruption and political conflict of redistribution which made the liberal middle class and islamic populists to largely switch support to Suharto in the following turn of events (Robison and Hadiz, 2004:45-46)

## **Communism and the turn to liberalism: 1965-1997**

The 'revolt' of Indonesia's communist party marks the third critical juncture. It has affected the direction of Indonesia and put it onto the long path of a period known as the 'new order'. After the failure of the revolt of the communist party, the military led by General Suharto (and backed up by the US) began the eradication of the communist party. This is the term used in the operation to rid Indonesia from any traces of communism. Since then, communism has become a taboo in Indonesia and has negative connotations. Any form of socialism was often labeled as communism. Finally, in 1966 Suharto overtook power from Sukarno and by 1968 officially graduated to be the second president of Indonesia. A position he would maintain for the 32 years to follow.

The new order regime put emphasis on economic growth-oriented development, bringing Indonesia from one of the world's poorest countries to one of the fastest growing economies of the 1970s-1980s (Cheetham and Peters Jr, 1993; Ramesh and Asher, 2000:17-19). Throughout this period, the development of social welfare system in Indonesia can be characterised as a 'productivist welfare regime' Gough (2004:182) as well as 'Bonapartist and productivist' Haan (2010:167). Productivist regimes see social policy as a supporting component of economic development instead of an entity of its own (Gough, ibid) whereas within a 'Bonapartist' regime, social policy is used to maintain a status quo (Baldwin, 1990:39). The bonapartist regime can be illustrated by the establishment of the following social security schemes.

In 1968, five years after TASPEN was established, a health insurance component called *Asuransi Kesehatan* (shortened as ASKES) was added, which was based on a compulsory contribution of 2% of wage (Fahmi, 2002:18). In 1971 a scheme similar to TASPEN was introduced for the armed forces, and called *Asuransi Angkatan Bersenjata Republik Indonesia* or ASABRI (Purwoko, 1996:57; Fahmi, 2002:18).

In 1977, the previously voluntary 1964's social security fund evolved into an income-based social insurance scheme for formal workers called *Asuransi Tenaga Kerja* or ASTEK which consisted of work accident, old-age and life insurance (ibid). Later on in 1992 ASTEK was transformed into a comprehensive benefit package (with added health insurance) called *Jaminan Sosial Tenaga Kerja* or JAMSOSTEK (ibid).

Most of JAMSOSTEK's contributions are paid by the employers, except for the old-age insurance for which the employee also contributes a portion.

Beside these schemes, education continued to be a priority as illustrated by the 1984 compulsory primary education strategy. Indonesia is an example of one of successful cases with high levels of primary school enrolment (Cheetham and Peters Jr, 1993:30).

The period following Suharto's take over is marked by impressive economic growth assisted by the increase of oil prices, structural adjustment programmes including deregulation and big investments in infrastructure, but it also by the 'oligarchy of polito-bureaucrat rule' and authoritarian ruling by Suharto (see Robison and Hadiz, 2004:53-60).

During the new order, the labour movement was hampered in particular when the biggest labour union was demolished because of its association with the communist party (Diniari, 2012:221-224). Other labour unions had to restructure, following new rules and regulations under the new order which limited the rights to organise.

## **The Asian financial crisis and the return to democracy: 1997-2001**

The process of successful economic development came to a halt when Indonesia was badly hit by the 1997 Asian financial crisis. A situation which triggered a series of events that culminated in the fall of Suharto and the new order at the height of the crisis in 1998 as well as the beginning of pro-poor emphasis in social policy.

A series of government fully-funded means-tested social safety net programmes (*Jaringan Pengaman Sosial* or abbreviated JPS) was introduced in 1998 to assist poor households in fulfilling their basic food, health, and education in the time of crisis (World Bank, 2012c:14). The existing poor suffered disproportionately from the economic crisis, and it also pushed additional people into poverty due to unemployment.

The fall of the new order opened up an opportunity for democracy after 32 years of oppressive rule. This period give rise to the concept of civil society and freedom of speech, as well as 'the potential role of the middle class<sup>7</sup> as a democratising agent' (Robison and Hadiz, 2004:123). It is interesting to note that the labour movement was not actively involved in the political transformation of 1998, although Habibie whom replaced Suharto as the third president of Indonesia ratified the ILO convention of the freedom for workers to organise (Diniari, 2012:224).

## **The road to SJSN: 2001-now**

During this period, the impact of the financial crisis was still felt and the social assistance programmes continued. One of the JPS programmes from 2002, rice for the poor (*Beras untuk Rakyat Miskin* or RASKIN) from 2002 evolved into a permanent programme (World Bank, 2012c:14). In 2005, the anticipated impact of a fuel subsidy

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<sup>7</sup> Robison and Hadiz's definition of middle class includes 'among its ranks such diverse groups as government bureaucrats, urban professionals, managers of national and multi-national firms and banks, teachers, students, journalists, artists, and rural *ulama* (Robison and Hadiz, 2004; 124)

cut on poor households led to the establishment of two more targeted social assistance programmes, health insurance for the poor (Asuransi Kesehatan Masyarakat Miskin, in short ASKESKIN) and a large-scale temporary unconditional cash transfer program (*Bantuan Langsung Tunai* or BLT) (ibid). ASKESKIN evolved into *Jaminan Kesehatan Masyarakat* or JAMKESMAS in 2008, and BLT was re-launched in 2008-2009 to respond to inflation due to fuel price adjustment.

Beside pro-poor social assistance there are also other smaller means-tested social assistance programmes under the Ministry of Social Welfare targeting at-risk children, the disabled and neglected elderly (ibid). Furthermore, the ministry also piloted a conditional cash transfer programme called (*Program Keluarga Harapan* also known as PKH) in 2007, to improve preventive basic health and nutrition services, as well as school enrollment.

However, despite this vast array of targeted social assistance programs after the crisis, poverty persisted. Although there is a reported decline in poverty rate, this does not capture the the vulnerability of the near poor population and the inequality. This resulted in the need to seek for new social security system. The idea of the SJSN in Indonesia was put on the table in 2001 when the parliament through Decree no.X/MPR/2001 assigned by the president at the time, Abdurrahman Wahid, just before he was forced to leave office, to establish a more universally-accessed and integrated social security system (Tim SJSN, 2004:2). The president then commissioned a working group under the official name of *Tim Sistem Jaminan Sosial Nasional*/Tim SJSN (Team for National Social Security System), which was officiated by his successor Megawati Sukarnoputri.

In October 2004, the government of Indonesia passed law no.40, concerning a new national social security system called the SJSN. The law outlined a strategy to universalise social security in Indonesia and integrate its implementation. It adheres to the second amendment of 1945 Indonesian constitution which stated that the state is responsible to provide social welfare to all citizens.

Subsequent to this 2004 law, nothing happened in terms of implementation although it was outlined that the next step should be to facilitate the establishment of administering bodies. On 25 November 2011, the Indonesian government finally issued law No.24 on the administering bodies (*Badan Pelaksana Jaminan Sosial* abbreviated as BPJS), after the Indonesian Constitutional Court ruled the Government guilty for neglecting the implementation of the national social security system.

According to Jaminan Sosial website (2012) the court case was filed by *Komite Aksi Jaminan Sosial*/KAJS or Social Security Action Committee, which consists of labour unions, civil society organisations, student organisations, youth organisations, community leaders, professional organisations and individuals. KAJS was represented by a team of 17 lawyers which named themselves *Tim Pembela Rakyat untuk Jaminan Sosial* which means People's Defensive Team for Social Security. The court case took one year from October 2010 to July 2011 preceded by three unsuccessful mediating attempts. The defendants were 11 state officials including Susilo Bambang Yudhoyono the current President of Indonesia, the vice president and nine ministers. The court accepted the demands of the KAJS and assigned the government to immediately issue the law on BPJS, formulate and issue related presidential or ministry regulations, and start the transformation of existing social security administering body.

The current status and a more detailed description of the SJSN will be presented in the following chapter.

## Chapter 4 Unpacking the SJSN: the Law of Large Numbers and the Cross-class Solidarity

In essence, currently there are three types of formal social security systems in Indonesia. Of the first type are **social assistance programmes** targeted at the poor and vulnerable which are highly means-tested. Examples are health care for the poor, conditional cash transfers, benefits for disabled people and rice for the poor. These programmes are organised by different ministries, depending on their mandate. The second is **social insurance schemes** for respectively civil servants (including members of parliament, but excluding staff of the Ministry of Defence and Security), members of military and police (including staff of the Ministry of Defence and Security), and formal workers in the private sector. Four state-owned enterprises organise these social insurance schemes, which consist of health care, pension or old age benefit, work-related accident benefit, and death benefit. The third system is **out of pocket or voluntary private insurance**, which is the only option for those who are in the informal sector or uncovered formal workers. Table 1 below presents the overview of the existing social security system in Indonesia.

With respect to the different types of existing social security system after SJSN, the social assistance schemes will be continued under different ministries, whilst the private insurance should ideally only be taken as a supplement to the SJSN's standard benefit (Jamsos Indonesia, 2012).

**Table 1 Existing Social Security System in Indonesia**

		beneficiaries	% of salary	who pays	summary of benefits
<b>SOCIAL INSURANCE (occupation-based)</b>					
ASKES	ASKES-Sosial	Civil servants, state officials, retired, war veteran	4%	2% civil servants, 2% government	Primary health care Hospitalisation (class I or II based on career level) including intensive care Pregnancy care and delivery Limited choice of health facilities (that accept ASKES - mostly public facilities) No general check up Dental and eye supplementary aid (not for dependants)
	ASKES-JKMU	government subsidised individuals	unknown	unknown	Puskesmas-based primary health care, emergency and referral Puskesmas-based pregnancy care and delivery (unless high risk delivery) Not included dental and eye supplementary aid (spectacles) or health aid (wheelchairs, crutches, pins) Not included high level treatment eg. Heart or lung surgeries Only pays for medication based on Askes price list Not included administrative costs eg. patient registration cost Not included illness due to force majeure eg. landslide, earthquake
	ASKES-Jamkesmas	Government ministers and certain officials	unknown	unknown	Primary health care Emergency and Hospitalisation VVIP including intensive care Pregnancy care and delivery Free choice of health facilities Include treatment abroad Dental and eye care and supplementary aid (also for dependants) General check up (not for dependants) Include assistance from Personal Care Officer and Hospital Liaison
	ASKES-Jamkestama	Parliament members, State Audit Board, Judicial Commission, Constitutional and High Court Judges	unknown	unknown	Primary health care Emergency and Hospitalisation VVIP Pregnancy care and delivery Free choice of health facilities Include treatment abroad Dental and eye care and supplementary aid (also for dependants) General check up Include assistance from Personal Care Officer and Hospital Liaison
ASABRI	Old age, work accident, and life insurance	Armed Forces/Police, Ministry of Defence	3.25%	Armed Forces/Police, Ministry of Defence	Death benefit 7 - 8 months of last salary (including dependant support) Occupational injury benefit, calculated based on the level of disability Lumpsum amount of insurance calculated based on the last salary including dependant support and length of contribution period
TASPEN	Pension insurance	civil servants (except from Ministry of	4.75%	PNS	Lumpsum and monthly pension Death benefit to the dependants 3x the last salary
	Old age insurance	civil servants (except from Ministry of	3.25%	PNS	Lumpsum calculated based on last salary and the time between the end employment (due to death or other reasons) and the retirement age
JAMSOSTEK	Work accident	formal employees or informal workers joining the programme voluntarily	0.24% - 1.74% depends on the type of business	employer	Support for temporary unemployment during recovery Support for permanent disability Death benefit Treatment including transportation to hospital Rehabilitation
	Old age		5.70%	3.70% employer, 2% employee	Lumpsum for retirement or end of employment (only after 5 year contribution)
	Life		0.30%	employer	Lumpsum as support fund and for funeral cost Monthly benefit of 200 thousand rupiah for 24 months
	Health		6% (with family) 3% (single)	employer	Primary care and referral Hospitalisation class II (public hospital) or III (private hospital) including intensive care Pregnancy care and delivery Emergency Limited medical aid and rehabilitation (not for dependants)
<b>SOCIAL ASSISTANCE (means-tested / pro poor or vulnerable)</b>					
JAMKESMAS (including JAMPERSAL)	Health, including maternity			government	Puskesmas-based primary health care, emergency and referral Puskesmas-based pregnancy care and delivery (unless high risk delivery) Hospitalisation Class III including intensive care Limited dental and eye supplementary aid (spectacles) or health aid (wheelchairs, crutches, pins) Surgeries
Others: RASKIN, BLT, PKH, BSM, etc	e.g. rice for the poor, CCT, scholarship for poor			government	
Informal network: family, religious, charity				family, religious and charity organisation	
<b>PRIVATE INSURANCE (out-of-pocket / user fee)</b>					
Private insurance	health, life, savings/investment				
Private health providers					

Source: Jamsos Indonesia website, adopted by author

A closer look proves that these systems are very segregated and leave many uncovered, due to both systemic and implementation errors. For example JAMSOSTEK has only reached 47% of the formal workers<sup>8</sup> (ILO, 2008:4), and both leakage and under coverage of JAMKESMAS scheme have led to covering only 41% of the poor population despite claiming to have reached 7.6 million poor and near-poor population (World Bank, 2012a). Furthermore the social security system relies very much on out-of-pocket payment for the people living just above the poverty line (the near poor) which constitutes 56% of the population<sup>9</sup> (World Bank, 2012b:13).

## Substantive changes

The SJSN was declared by law no.40, 2004 (henceforth the SJSN Law) as a state-administered social security system which provides social protection for all citizens to meet their basic needs, towards the ultimate goal of realising social welfare for all Indonesian citizens, for protection during the loss or reduction of income due to old age or retirement, illnesses, disability, or termination of employment (Tim SJSN, 2004). It consists of five benefit programmes namely *Jaminan Kesehatan* or Health Insurance, *Jaminan Kecelakaan Kerja* or Work Accident Insurance, *Jaminan Hari Tua* or Old Age Insurance, *Jaminan Pensiun* or Pension Insurance, and *Jaminan Kematian* or Life Insurance<sup>10</sup>.

The first programme under SJSN to be rolled out, is the health care program by January 2014, followed by the other four programmes by 2015 (Government of Indonesia, 2011). The SJSN law conveys a message of a bigger role and responsibilities of the state to ensure that all citizens are protected against basic social risks.

Unemployment benefit is not included in the SJSN as there is already a separate labour law regarding the arrangement of employment termination, although it was discussed during the formulation of the SJSN Law (Thaha, 2007:23). However, there is an article in the SJSN Law that ensures that health insurance will be available for up to six months after a contract termination without the requirement to pay a contribution.

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<sup>8</sup> JAMSOSTEK regulation only requires employers to register when employing minimum of 10 staff with salary of minimum Rp. 1,000,000,- per month. This, combined with weak enforcement results in many employers choosing to not register. There is also an opt-out clause in the regulation, which stated that in the event that the employer has already provided other insurance with better benefit than JAMSOSTEK (President of the Republic of Indonesia, 1993:3; ILO, 2008:4). Which leaves additional room for employers not to take responsibility.

<sup>9</sup> This is the percentage of population living between the 2011 national poverty line of Rp. 233,700 and 2.5 x the national poverty line.

<sup>10</sup> There are variations of the English translation of the names of the five programmes in different publications. This research uses the translation from the Social Security Reform in Indonesia Handbook by the Coordinating Ministry of People's Welfare (2006). Henceforth the paper will use this English translation to name the programmes

**Table 2 Social Security System under SJSN**

SJSN Programme	Description	Beneficiaries	contribution (amount or % salary)	summary of benefits
<b>SOCIAL INSURANCE</b>				
Health Insurance	primary, secondary, tertiary health care, and hospitalisation	all citizens	see below	-primary care -comprehensive surgery & treatment incl heart, cancer, HIV AIDS -medical aid
		Civil servants, state officials, retired	2% employee 3% government	hospitalisation class I or II
		Armed Forces/Police, Ministry of Defence	2% employee 3% government	hospitalisation class I or II
		War veteran	5% by government	unknown
		Poor households (Penerima Bantuan Iuran / PBI)	Rp. 27,000 by government	hospitalisation class III
		Individuals	Rp. 40,000 or Rp. 50,000	hospitalisation class I or II
		Ministers, parliament members	unknown	unknown
Work Accident Insurance	Benefit for disability, and income replacement during rehabilitation	all citizens	NOT YET DETERMINED	NOT YET DETERMINED
Old Age Pension	Savings for end of contract / retirement	all citizens	NOT YET DETERMINED	NOT YET DETERMINED
Pension Insurance	Monthly income replacement after retirement	all citizens	NOT YET DETERMINED	NOT YET DETERMINED
Life Insurance	Death benefit	all citizens	NOT YET DETERMINED	NOT YET DETERMINED

Source: Jamsos Indonesia website, adopted by author

Featuring a social insurance system based on compulsory contribution from the citizens, the SJSN was built on nine principles<sup>11</sup>, of which the main principle is *gotong royong* which can be translated as ‘working together to achieve a common goal’<sup>12</sup> and ‘social solidarity’ (Tim SJSN, 2004). The law states that the mutual fund will come from contributions in proportion to the level of income/salary which will be pooled to finance provisions when needed. The new social insurance system was also perceived as being more sustainable as the compulsory contribution is expected to eventually reduce state expenditures. Using the principle of ‘the law of large numbers’, the social insurance will ensure that as the more members joined the cheaper the

<sup>11</sup> The other principles are: not for profit, transparency, prudence, accountability, portability, compulsory participation, trust fund, and return on investment (Government of Indonesia, 2004:3-4; Coordinating Ministry for People’s Welfare, 2006:12-14)

<sup>12</sup> The concept of *gotong royong* is familiar to all Indonesians, as it reflects some of the communal values in Indonesian society. *Gotong royong* promotes solidarity, togetherness, and readiness to help others.

management cost per person will be, which further on can ensure financial sustainability of the programme (Tim SJSN, 2004:46-47; Thaha, 2007:36).

Within the social insurance model of SJSN, there are also two other components. A compulsory saving system is used as an old-age insurance arrangement and social assistance from the government is planned for in order to subsidise the poor's contributions.

The design process of the SJSN was assisted by experts from Australian government, the European Union, Asian Development Bank, and the International Labour Organisation. In addition to this, study visits were executed to Australia, Germany, France, South Korea, Taiwan, Malaysia, and Thailand (Tim SJSN, 2004:14; Thaha, 2007:34).

The SJSN is not a radically new system for Indonesia. It will build on the existing social security schemes with promises of a comprehensive and integrated social security for fairer and more adequate protection to a bigger portion of the population, including those whom are not covered by the current system.

For health insurance - the first programme to be rolled out - the SJSN will expand gradually to ensuring that all the formal sector workers are covered before extending it to the informal sector. It is expected that by 2019 there will be no one who is not able to access health care.

## Organisational changes

The SJSN Law prescribes that the management of SJSN should be the responsibility of a non-profit social security administering body (*Badan Pelaksana Jaminan Sosial*, shortened as BPJS) and monitored by a national board of social security (*Dewan Jaminan Sosial Nasional*, also known as DJSN) which is also responsible for formulating general policies and strategies for integrated implementation of the SJSN. The DJSN comprises of 15 members, including representatives from the government, community leaders and/or academics, employers (private sector), and labour organisation.

Seven years after passing the SJSN Law, the government finally passed law no.24, 2011 which specifies that there will be two administering bodies of SJSN, the BPJS Kesehatan (health) which will manage the health insurance and the BPJS Ketenagakerjaan (employment) which will manage the other four programmes of work-accident, old age, pension, and life insurances. These two administering bodies will operate as a non-profit public enterprises, where all the profit will be used for the benefit of its members.

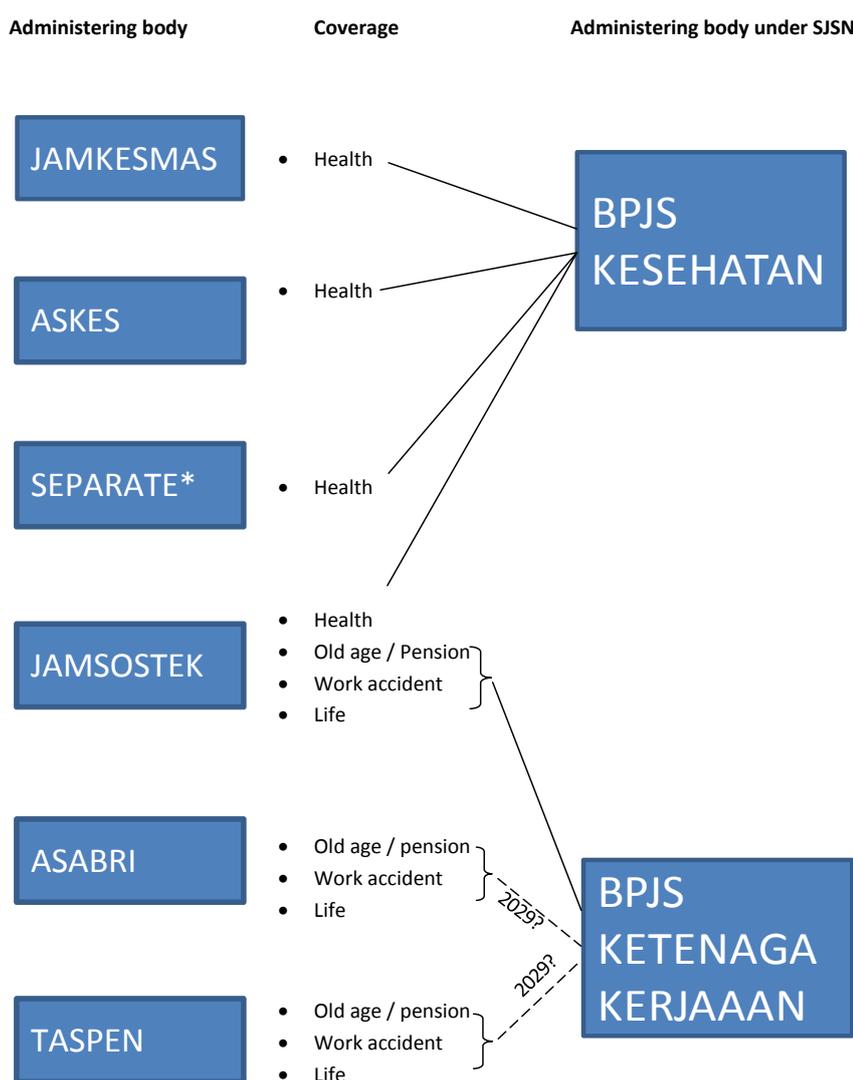
Starting in 2014 the management of any health insurance programmes will be integrated into one health insurance system, SJSN Kesehatan under the administration of BPJS Kesehatan (Jamsos Indonesia, 2012). There will be no more ASKES, JAMSOSTEK, JAMKESMAS or Ministry of Defence/armed forces schemes. BPJS Kesehatan will be transformed from PT ASKES, an existing state-owned enterprise currently managing health insurance for the civil servants.

By July 2015 at the latest, BPJS Ketenagakerjaan should be ready for managing the other four programmes of SJSN, the work accident, old-age, pension and life insurances for formal and informal workers (ibid). BPJS Ketenagakerjaan will be trans-

formed from PT JAMSOSTEK, which is currently managing health<sup>13</sup>, work accident, old age, and life insurances for the formal sector workers. However, the merging of PT. TASPEN and PT. ASABRI with BPJS Ketenagakerjaan is still uncertain as the law states that this should be done by no later than 2029 (ibid).

Figure 1 Transformation of Administering Bodies under SJSN below illustrates the transformation of the existing state-owned enterprises providing social security arrangement into two public enterprise administering bodies.

**Figure 1 Transformation of Administering Bodies under SJSN**



Source: Jamsos Indonesia website, adopted by author

\*Note: Separate scheme under Ministry of Defence and Security, for armed forces/police and staff of Ministry

<sup>13</sup> The health insurance component under JAMSOSTEK will be taken over by BPJS Kesehatan by 2014

## Criticism of SJSN

Currently the SJSN is at the stage of forming the two administering bodies, BPJS Kesehatan and BPJS Ketenagakerjaan. More detailed regulations on the technicalities of the implementation of health insurance component in January 2014 are required. However, the government has not as yet issued these regulations, despite the deadline of November 2012. Such delay in the implementation, after the seven years gap between the release of SJSN Law in 2004 and the BPJS Law in 2011 has led many to criticise the SJSN.

Ever since its early development in 2001, the SJSN has been scrutinised and questioned, mainly on its technicalities. Key issues that have been identified are for example the speed of its release which has been seen as rushed; the low political commitment from the government; the high corruption rate in Indonesia; the questionable capacity of the government to ensure the technical arrangements are implemented (for example ensuring that health facilities are ready<sup>14</sup>); and the flawed development process of SJSN without a thorough fiscal and econometric analysis, which begs the question whether the contributions will be able to sustain the system (see Arifianto, 2004; ILO, 2008a).

The biggest unresolved technical issue of SJSN is how to extend the existing programmes to cover the informal workers. In Indonesia, the data from the past five years shows that 70% of the population is employed in the informal sector (Nazara, 2010:20). The majority live in rural areas (ibid:22). Indonesia's central bureau of statistics (*Badan Pusat Statistik* or BPS), in its annual employment survey, adopted the definition from ILO's 1992 Surveys of Economically Active Population, Employment, Unemployment and Underemployment for the concept of informality (ibid:15). It defines informality as 'traditional economic activity conducted by low level or unstructured organisations without transaction accounts, in a casual relationship, and based on personal relations rather than contract or formal agreement'. Furthermore ILO (2002:5) added that informal economy constitutes activities that are outside the 'formal reach of law'.

Regarding the informal sector, Arifianto (2004:17) argued that it is unlikely that the programme can ensure that informal workers pay their contributions if there is no clear mechanism for collection. He questioned whether the social insurance's cross-subsidy will work, as in spite of the higher rate of formal sector workers' contributions, the informal workers constitute the majority of the population.

Many have also doubted the ability of informal sector workers to contribute. The findings from a survey conducted by ILO on the informal sector in urban and rural areas in Indonesia reveal that 'a significant portion of the informal economy workers [41.4% of urban respondents and 16.0% of rural respondents] are willing to contribute to a suitable scheme' (Angelini and Hirose, 2004:x). Yet the survey also discovered that without subsidy it will be difficult for them, especially those in rural areas, to contribute Rp. 25,000 per month for health insurance.

Finally, within the labour movement organisations there are two opposing positions on the SJSN. One side has been very active in supporting the SJSN on the basis that it is expected to provide social security for all. Members of the labour organiza-

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<sup>14</sup> Also ensuring that more health facilities have partnership with SJSN, as otherwise they are not required to accept SJSN health insurance unless in the event of emergency.

tion KAJIS that hold this position have won the court case for SJSN. The other side believes that the universalism of the SJSN will actually be detrimental to workers, and that it is the responsibility of the government to provide for the people and not take contributions. Recently there have been a series of demonstrations by factory workers refusing the implementation of the SJSN and BPJS Laws. Under the SJSN, workers are now required to contribute 2% of their wage for health insurance scheme, whereas until now under JAMSOSTEK, it has been the responsibility of the employer.

Aside from the criticism on the technicalities of the implementation of the SJSN, the social attributes that may influence the implementation are given less attention. For example, whether the already segregated social context in Indonesia will accept such universal policy. This question arises from the debate on whether in order to support the sustainability of universal social policy, the big theme of solidarity instead of charity, should be promoted. In reality what seems like social solidarity support to a universal policy is often born out of political necessity (Baldwin, 1990). According to Deacon (2009), the implementation of a universal social policy requires the buy-in from the middle class as they have the resources and voices to support such policy. And to get their buy-in, it must be ensured that they are provided a service of sufficient quality, and in a true sense of universalism this same service is provided to everyone irrespective of their social class (ibid).

## **Chapter 5 The New Social Security System in Indonesia: An analysis of the Alleged Shift and its Historical Underpinnings**

The establishment of SJSN brings along a discussion of universalism in social policy, demonstrating the Indonesia's take on what Deacon (2005:22) questioned as 'a shift in global discourse leading to a reassertion of the politics of social solidarity and universalism'.

In order to answer this question, the existence of a shift should first of all be proven by an analysis using the case of the SJSN in Indonesia. Afterwards it is possible to find out whether this shift emerges due to the influence of the global discourse (or regional discourse) or gradually as influenced by the critical junctures in the history of social policy in Indonesia.

### **Analysis of the alleged shift**

If one would take a simplistic view of universalism and welfare and purely compare the number of people that have health insurance coverage before and after SJSN, there would be no doubt that there is a shift. Before the SJSN, only the civil servants and the armed forces and less than half of the formal sector workers are covered by social security insurance, and only half of the poor population are covered by two of the biggest social assistance programmes in Indonesia. With the SJSN no one would be left out, and certainly this portrays the idea of universal social security.

There is no denying that something is changing in the field of social security in Indonesia. The pro-poor agenda that has been amplified especially in the 1980s and 1990s has now being transformed under the idea of universal welfare provisions for everyone. However, does this new social security system, brought about by the SJSN, actually represent a shift towards a more universal social policy? What features should the SJSN exhibit to indicate that Indonesia is indeed becoming more universalistic?

The shift towards universalism in Indonesia will be analysed using three dimensions of universalism borrowed from Fischer (2011), namely modality, costing, and financing. Each dimension will be elaborated employing a set of criteria, some of which are inspired by the criteria used by Esping-Andersen (1990) in the grouping of three welfare state regimes. The criteria will be analysed qualitatively to see if there is a positive, negative, or zero move along the spectrum of the dimensions.

The analysis of this presumed shift will mainly focus on social security for health care. The health insurance programme of SJSN will be the first one to be rolled out by January 2014, therefore it is the most developed system compared to the other four programmes. Health is one of the most important aspects of well being, although during the period of growth-oriented development 1970s-1980s, the health sector received less attention than the education sector. Despite some earlier significant progress, the health status of the Indonesian people remains low and more than half of the population is still not covered by health insurance (World Bank, 2012a:1-3). This is presumably one of the reasons that most attention seems to be focused on

the universal health care coverage through SJSN. Another reason that health care is of particular interest for this analysis as it is an area where different classes intersect.

### ***Modality: Integrated versus Segregated***

The more a system helps to dilute the division of class and promote social solidarity, the more universal it is considered to be. Therefore it is crucial to pay attention to the possibility of double standards within universalism. Titmus (1965:18) used the example of the National Health Service in England which has successfully replaced a practice of ‘second-class service for second-class citizens’ in health care with ‘one publicly approved standard of service, irrespective of income, class or race’. A double standard within universalism may happen due to a skewed view of universalism such as Fischer (2010:41) describes: ‘there has been a subtle shift in the implied meaning of universalism in recent years towards a connotation of universal coverage or access, such as sending all children to school, regardless of how such schooling is provided or financed. While universal coverage is obviously a necessary condition of universalism, it is not a sufficient condition’.

A set of criteria below will be used to evaluate the alleged shift towards universalism. These are loosely based on Esping-Andersen’s (1990:69-77) ‘comparative dimensions of welfare-state stratification’. Although he employed these key attributes in a different way to define clusters of welfare regimes<sup>15</sup>, they are useful in demonstrating the shift of social policy in Indonesia towards integration (high degree of universalism) or segregation (away from universalism).

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<sup>15</sup> Esping-Andersen used this set of stratification criteria to categorise 18 (Western) welfare states into regimes of conservatism, liberalism, or socialism. For example a high number of occupationally distinct pension schemes and high government pension expenditures will classify a country in the conservatist regime. Whereas the high averaged percentage of population eligible for health, unemployment and pension benefit and high degree of equality in the benefit structure will qualify a country in the socialist regime.

**Table 3 Dimensions of Modality - Integrated vs Segregated**

Criterion	Description of appraisal
number of occupationally distinct insurance schemes	A high number of occupationally distinct insurance schemes reflect a high segregation in the system, due to the fact that there are different schemes for different groups within the population.
number of pro-poor social assistance programmes for basic needs* (or % means-tested poor relief of total social welfare expenditures)	The move towards more integrated system will mean that there should be less pro-poor social assistance schemes, because these groups are already included in the universal social security system.  *Note that the pro-poor social assistance programme is different from the subsidy targeted at the poor within the universal system, in the sense that it is a separately-managed programme e.g. CCT.
differential between basic and legal maximum benefits (or degree of equality in benefit regardless of income)	The extent to which benefit is dependent on contributions, for example as a percentage of income, leads to a more segregated system. It will maintain the situation in which the poorest will get the worst provision.

As proposed by the Government of Indonesia (2012) in the draft of the presidential decree governing the implementation of health care programme, the BPJS Kesehatan will maintain the operationals of the existing system of health care insurance, with some adjustments in contribution. At the time of writing this paper, the presidential decree is still in the process of formulation and therefore there may be significant changes to be made or a different direction taken. For now, it can be summed up as follows.

The civil servants (thus far ASKES members) as well as the armed forces, police, and staff of the Ministry of Defence (thus far under a separate scheme) will continue to pay the same monthly contribution of 2% of their monthly wage which is supplemented with 3% by the government. Whereas for war veterans, the government will continue to pay a contribution of 5% of wage calculated based on civil servant rank 4.

Meanwhile, under the new scheme, JAMSOSTEK members (formal sector workers) will have to pay a contribution of 1% initially<sup>16</sup> of their monthly wages - out of a total of 5%, which was previously fully paid by the employers.

The calculation of the percentage of wage will be based upon a ceiling of 2x non-taxable salary or approximately Rp. 5,000,000 (for family with 2 children).

For people who are not considered able to pay a contribution i.e. the poor and near poor, who were previously under the JAMKESMAS scheme, the government will pay the contribution calculated as Rp. 27,000 per month per person. Unless otherwise noted, the contributions are for a family with a maximum of four dependants (one spouse and three children). For additional dependants such as the fourth child, grandparents or housemaids, the contribution should follow the regulation for formal workers or other individuals.

<sup>16</sup> In 2016 the distribution will be 2% employee and 3% employer

For all other individuals (like entrepreneurs or business owners), that were thus far not included in any government supported health insurance scheme, a new set of contributions applied. They will have to pay Rp. 40,000 or Rp. 50,000 per month per person, depending on the benefits they prefer. It is not clear from this draft regulation about the contributions by people in the informal sector.

In terms of the benefits, all members should be covered for the same preventive and curative treatment in primary, secondary and tertiary care, which is quite extensive. It includes complicated and expensive treatments (such as cancer therapy, heart surgery, haemodialysis, organ transplant, thalassemia, HIV and AIDS, long term cure for mental illness, leprosy and lung diseases) as well as medical aids such as eye-glasses, hearing aids and prostheses. Yet, the differences arise in the event of hospitalisation as the class of inpatient care<sup>17</sup> will be determined in accordance with the contribution. For example, hospital class III is available for members whose contribution is paid entirely by the government (i.e. the poor or near poor), hospital class I or II is for civil servants depending on their rank. Hospital class I or II is also accessible for formal sector employees, depending on their salary.

When comparing the situation before and after the SJSN against the three criteria of modality mentioned before, we see first of all that there will be **a smaller number of occupationally distinct insurance scheme**. Three health insurance schemes and one means-tested social assistance scheme for health namely ASKES, JAMSOSTEK's health insurance, Ministry of Defence/armed forces scheme and JAMKESMAS, will be merged into one insurance scheme called SJSN Kesehatan (administered by BPJS Kesehatan). Eventually TASPEN, ASABRI and JAMSOSTEK's old age, work accident and life insurances will also become one scheme called SJSN Ketenagakerjaan (administered by BPJS Ketenagakerjaan)<sup>18</sup>.

Secondly, the fact that JAMKESMAS will be integrated into SJSN Kesehatan means that there is **one less pro-poor social assistance schemes for basic needs**. Within the SJSN, there will still be a means-tested mechanism for eligibility of government subsidy, however this will happen under the premise of universal provision. Other types of pro-poor social assistance programmes for example rice for poor family, conditional cash transfers, assistance for disabled people may still continue since these are managed by different ministries.

However, lastly, **the degree of equality in benefit remains largely the same** as under current system. Although there is some improvement in the sense that the content of medical treatment will be made to be uniform for all, there is still segregation in the event of hospitalisation. Since the hospital class usually determines the tariff, the quality of treatment and services are usually different (e.g. less visits from doctors for class III patients), and therefore it will provide the poorest people the lowest quality of health service. Furthermore, there is no mention of the arrangement

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<sup>17</sup> In Indonesia hospital consist of different classes VIP (and sometimes also VVIP), Class I, Class II, Class III. The classification is based on number of beds and other facilities. Class III is usually 4-6 bedded, Class II is 3-4 bedded, and Class I is 2 bedded. The type of class also determines the tariff, for example the doctor's fee and the drugs are cheaper if you are in Class III than Class I. This then also determine the services, for example doctors are less enthusiastic to visit Class III patients as they receive less money, or generic drugs may not be available in the hospital so the patients have to buy outside.

<sup>18</sup> See previous chapter and **Error! Reference source not found.**

for government ministries, special officials and parliament members within the draft of presidential decree. Which could mean that there will be a separate regulation, by which if the current arrangement would be sustained. It seems unlikely that SJSN will address **the big gap between basic benefit and legal maximum benefits in the system.**

Four points emerge from the analysis. Considering the modality criteria, a smaller number of occupationally distinct insurance schemes and one less pro-poor social assistance for basic needs represent a positive shift brought on by SJSN towards a more integrated system. However, the persistence of inequality in terms of benefit shows that the system will remain segregated.

The fact that everyone will now be eligible for basic health insurance indicates that there is a shift towards a more universal system on the one hand, but on the other hand the new social security system does not really bring on any change in the difference of quality of care given to different groups of people. The shift is therefore more towards universal coverage or access rather than equality.

### ***Costing: Decommodification versus Commodification***

Decommodification refers to ‘the degree to which individuals, or families, can hold a socially acceptable standard of living independently of market participation’ (Esping-Andersen, 1990:37). In other words, Esping-Andersen (ibid:49) defined decommodification as ‘the ease with which an average person can opt out of the market’. The shift on this spectrum will be qualitatively measured by the range of government social protection based on citizenship rights (decommodification) as opposed to the market (commodification).

The first criterion used is a combined version of Esping-Andersen’s (ibid:47) dimensions of decommodification, whilst the second criterion is inspired by Esping Andersen’s ‘state-market nexus’ (ibid:79-104) as applied to the case of Indonesia.

The third criterion relates to the concept of exit and voice (Hirschman, 1970). Within the context of this analysis the concept of exit means that there would be a possibility to opt-out from the SJSN. Allowing an ‘exit option’, such as unregulated private insurance system or small and unbinding contribution can push the higher income group back out in the market to seek better service rather than voicing their discontent, which would in turn be a push for improvement. Thus an exit option will increase the commodification of social risks. For example ‘middle class flight to private alternatives reduces the political support from this vocal group for resources to be devoted to the public sector and thus the quality of services in the public sector, generating a two-class system of health and education’ (Huber, 2009).

**Table 4 Dimensions of Costing - Decommodified vs Commodified**

Criteria	Description of appraisal
Range of government* social protection programme against basic social risk of unemployment, disability, sickness, and old age and the duration of entitlement	Decommodification is deemed high when many of the basic social risks are covered irrespective of occupational merits, means-testing, or contributions. In addition, high decommodification can also be demonstrated by the duration for which a programme is available to the beneficiary (e.g. income replacement in case of unemployment)  *Note that this is not to say that decommodification always means that service provision is government-owned. There are examples of countries where the private sector involvement is integral to welfare provision. However in, these cases, there is still a big role for the government as a regulator.
Number of user fee or private schemes or other informal network mechanisms used to access basic social provision, compared to the utilisation of government programmes	A decrease in number of any user fee or private schemes or other informal mechanism (such as family or charity organisations) used and an increase of utilisation of government programme indicates a high degree of decommodification or less dependency on the market
Availability of an exit option	Any circumstances or efforts that help presenting an exit option (when there is opportunity to choose private insurance or out-of-pocket payment over the state social insurance) is considered to decrease the degree of decommodification.

Prior to the SJSN, Indonesia has been implementing social insurance schemes, albeit segmented on occupational basis. TASPEN, ASABRI, ASKES, and JAMSOSTEK provide programmes similar to the ones under the SJSN, five programmes, health insurance, work-accident insurance, old age insurance, pension insurance, and life insurance, aimed at fulfilling basic living needs of (formal) workers in both public and private sectors. However, as has been shown in the discussion of the previous set of dimension, the benefits vary<sup>19</sup> depending on income-based contributions.

Outside of this public social insurance scheme, there are various private companies offering health, life and investment/saving insurances. Although the insurance business has been present in Indonesia since after the independence, a boom in the insurance business for social risk can be dated back to the 1990s. These private insurance schemes are quite attractive to many within the urban middle class, as it offers a better option than out-of-pocket-payment, because of a lack of reliable government services. With many employers not registering their employee with JAMSOSTEK, formal sector workers opt for private insurance or, if unable to afford this, fall back to informal security networks such as family or religious and charity

<sup>19</sup> See Table 1 in the previous chapter

organisation. Informal security networks are usually the only option available to informal workers who are not poor enough to be entitled to poor relief. As people become more dependant on private provision, social risks become more commodified. With the emergence of SJSN, there have been some discussions about the future of private insurance. From the supporting role of private insurance (for those who can afford it) by supplementing the basic services provided by the state under SJSN, providing competitive incentive for the government to provide better basic services, to a more competing role of maintaining an existence side by side the SJSN.

Against this background, the SJSN seems to provide a similar range of social security as in the pre-SJSN period (at least in the case of health insurance with a somewhat better range of medical treatment coverage). However, there is no addition of the unemployment benefit<sup>20</sup>, except for the fact that the health insurance benefit will still be provided up to six months after the termination of employment after which the means testing could be done to assess eligibility for pro-poor government subsidy. Therefore, **there will be almost no change in the types of government social protection programmes or the duration**. However, considering that the range of social security benefits will be extended to all citizens regardless of occupations, it can be said that **there are more government social protection programmes offered to the informal sector and the poor**, in comparison to the existing social assistance programmes.

By eventually having all citizens insured under SJSN, it is expected that there will be **a smaller number of private insurance or user fee schemes used to access basic social provision**. It is also expected that there will be **less usage of informal network mechanism to provide welfare**, and a government that takes more responsibility.

Which brings us to the question of whether the new scheme leaves options to 'exit'. Although SJSN will ensure that everyone is insured by a government scheme, the service provided will need to be of sufficient quality to ensure that there is no exit option. Since there is currently no specific regulation for the arrangement of private insurance's social risk provisions alongside the SJSN, it means that **there still remains an exit option** for higher-income groups.

In summary, the first conclusion is that the range of government social protection does not change in comparison to the pre- SJSN period, but from the perspective of the poorer and informal section of the population, the government will through SJSN be fulfilling their citizens rights without any means-testing mechanism. Which can be seen as a move towards decommodification. Similarly, the SJSN will take responsibility for providing basic service which would otherwise need to be acquired from of any other user fee, private, or informal mechanisms. This results in a potentially higher degree of decommodification of basic social protection.

In spite of this, the move towards high degree of decommodification might be halted due to the unregulated circumstances that give a way to exit.

In conclusion, there seems to be shift towards universalism due to a decrease in dependency on the market for welfare, however due to the fact that SJSN is vague about the role of private healthcare, that this may leave a lot of room for market forces.

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<sup>20</sup> See Chapter 4 on unemployment benefit under the SJSN.

### *Financing: Indirect versus Direct*

Indirect financing of social security means paying ‘not at the time of need, by progressive forms of taxation’ (Fischer, 2010:41; Fischer, 2011) as opposed to direct payment to the service provider. A move towards either indirect or direct financing can be measured by looking at the change in percentage of out-of-pocket, user fee, or private insurance of the total expenditure. In this case, health expenditure will be used to illustrate the argument.

The extent to which taxation or contribution is progressive, is rather more challenging to measure. In the study of welfare state and social policy two models, the Bismarckian and Beveridgian, are often used to distinguish two major strands of social welfare financing: social insurance and general taxation,<sup>21</sup> although nowadays these models are never used in their pure form (Bonoli, 1997:356-359).

In relation to universalism, more important than the question which model is used, is the question how progressive it is. The more universalist system is the more redistributive system. Accurately measuring the progressiveness of contribution and translating it to a measure of redistribution before and after the SJSN, requires detailed quantitative data and econometric analysis which is beyond the scope of this research. The current status of SJSN, which is still at the development/preparation stage (and therefore has incomplete regulation regarding contributions), also prevents a detailed quantitative analysis.

In this case the increase/decrease of the extent of progressiveness will only be represented by comparing whether a social security system is now based on a more progressive system of financing (i.e. different percentages of income, fairer stratification). Which will show if there is a positive change towards more universal system (more progressive indirect financing).

**Table 5 Dimensions of Financing - Indirect vs Direct**

<b>Criteria</b>	<b>Description of appraisal</b>
Percentage of out-of-pocket and private insurance from total health expenditures	A high percentage of out of pocket or private insurance spending (outside of government social insurance schemes) indicates a high level of direct financing
The extent to which taxation/contribution is progressive	The application of more progressive taxation/contribution indicates a move towards more indirect financing

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<sup>21</sup> The Bismarckian model of social insurance is more prominent in continental Europe whereas Beveridgian model in Britain and the Nordic welfare states

The 2010 data<sup>22</sup> shows that out-of-pocket payment still constitutes 78%<sup>23</sup> of the total Indonesia's health expenditures, a steady figure from even before the financial crisis in 1997. In fact, the advent of pro-poor health care programmes (Health Card circa 1994, ASKESKIN in 2005 and changed into JAMKESMAS in 2008) have not resulted in a decrease in the out-of-pocket payment, due to limited coverage and targeting errors (World Bank, 2012a). Integrating JAMKESMAS into the SJSN health insurance scheme, which offers better coverage, is expected to **reduce the percentage of out-of-pocket payment and private insurance of the total welfare expenditures** and dependency on the market.

The SJSN will be financed using the social insurance model. Compulsory contributions for the health insurance will be collected as a percentage of monthly income (up to a maximum of around Rp. 5,000,000 - for a family with 2 children) and flat rate (Rp. 40,000 or Rp. 50,000 per person/month) for the group of people employed in the informal sector. Although the social insurance system is not new to Indonesia, the flat rate contribution is a new component. Still, overall, **there is no significant change in the extent of progressive taxation/contribution.**

Therefore within this dimension, it is clear that there is a shift towards universalism due to the more indirect financing that is made possible by the SJSN. However, it is unclear whether it will be redistributive, due to a lack of increase in the progressiveness of the contributions.

## **Its historical underpinnings: the emergence of shift towards universalism over the Indonesian history**

Firstly, when taking a historical look at developments in the *integration versus segregation* dimension, there is a noticeable positive trend in the sense that more and more people are covered by social security schemes. On the other hand, during the last years of Sukarno's presidential period and the beginning of Suharto's period there has been an increase in the number of occupationally distinct social insurance, from one scheme (civil servants) to a total of three (with the addition of armed forces and private sector workers). This trend was continued after the Asian financial crisis, with the introduction of more pro-poor means-tested social protection.

The evolution of social policy in Indonesia seems to correlate with the power dynamics at hand at each critical juncture. The first social security scheme for the civil servants introduced in 1963 reflects the interest of Sukarno in reinforcing the support from the civil servants (Rames and Asher, 2000:150). Similarly the establishment of the social security scheme targeted at the armed forces in 1973 can be related to the importance that the military held as a basis of Suharto's power, and thus to maintaining the status quo (ibid).

Unlike in the Western welfare states, workers were not of the highest priority during Sukarno's period. This presents an interesting point because at that time the labour unions were strong and the communist party was active - a situation that could have encouraged a protest over workers' welfare. This was probably due to the

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<sup>22</sup> Source: World Health Organisation <http://www.who.int/research/en/>

<sup>23</sup> This figure includes out-of-pocket payment for all kinds of medical care including cosmetic treatments and other non-basic medical care.

‘guided democracy’ rule in which the president maintained the highest control. The social security scheme for workers was only introduced in 1977, when deemed important to support Suharto’s development-oriented strategy (productivist welfare regime).

Secondly, for the *decommodification or commodification* dimension, there is a negative shift during the new order regime. Suharto’s liberal development plan also consisted of privatisation and deregulation in order to open up the market. More private institutions for social welfare such as private health clinics, hospitals and schools were opened which resulted in an increased option to exit.

Thirdly, for the *indirect or direct financing* dimension, it can be said that because social insurance schemes introduced for an increasing number of people during 1960s-1970s, more people were paying not in the time of need (indirectly).

Finally, in the events leading to the emergence of the SJSN, it is interesting to understand why at a time when the two welfare models (Bismarckian and Beveridgian) are clearly distinguished, Indonesia opted to continue with one and not another. From the literature, the choice of social insurance system seems to be more attributed to the observed examples and experiences of other countries that have already implemented the social insurance scheme or external factors, rather than the fact that Indonesia has had experience with this risk-pooling system albeit limited to the civil servants, members of armed force, and formal sector workers.

## Chapter 6 Conclusion

Studying the case of the SJSN in Indonesia has illuminated the discussion of the possible shift towards universal social policy in Indonesia. In particular this research paper seeks answer to the following questions

1. whether SJSN represents a shift towards a more universal social policy in Indonesia
2. whether SJSN constitutes a gradual or radical change from its current social policy trajectory
3. which are the reasons for this possible shift towards universalism

To answer the first question: while SJSN does represent a shift, it is more towards universal coverage or access rather than equality. With the SJSN the social security system will be more integrated than under the current system, which consists of different schemes for different group of population. But, under the umbrella of SJSN, the segregated coverage as seen within the existing schemes will be maintained. This type of system is what Mkandawire (2005:5) coined as ‘stratified universalism’ which is ‘the foundation of most successful universalistic welfare states’. It is however important to remember that the successful extension of this system depends on full employment (ibid). Unless this requirement is fulfilled in Indonesia, the shift towards universal social policy may again be halted. On the other hand, the implementation of the SJSN may have a formalising effect on the labour market.

The shift towards universalism also depends on limited or no availability of exit options, which may remain available unless the role of market is regulated. Finally, the SJSN has enabled more indirect financing and which represents a shift towards universalism. But redistribution, which is an important element of universalism, is not a part of SJSN by design.

To answer the second question: period before and leading up to SJSN, shows only a gradual shift towards universal social policy, which means that SJSN does not present a radical change of course in Indonesia’s social policy trajectory.

Finally, the answer to the third question could refer to theory of power base. The concept of SJSN was initiated alongside the rediscovery of democracy in Indonesia after the fall of new order in 1998, and the endorsement of SJSN can be said to reflect the important decision to secure the support of the current power base, which is the whole population of Indonesia. Examples of successes from neighbouring countries such as Thailand and Malaysia in instituting more universal social policy through their reforms could be another stimulant for Indonesia to embark on a new system.

The SJSN is a complex system, and the analysis in this paper was mostly based on the health insurance component. As SJSN is still at the preparation stage, future development might prove that there might be some areas where the shift towards universalism is more prominent. There are still many questions to be answered and different perspectives to be explored. Further research is required particularly a quantitative research on the redistributive effect of SJSN.

Perhaps for now, a ‘stratified universalism’ or universal coverage can serve as a start towards a more equal and redistributive social security system.

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