

# SOCIAL WELFARE POLICY AND SOCIO ECONOMIC DEVELOPMENT IN INDONESIA

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**ABSTRAK.** Artikel ini mengkaji kebijakan kesejahteraan sosial dan kontribusinya terhadap pembangunan sosio ekonomi di Indonesia. Penelitian ini menggunakan pendekatan kualitatif dengan teknik pengumpulan data menggunakan studi pustaka. Sebagai hasilnya, pemerintah Indonesia telah menerapkan beberapa strategi kebijakan kesejahteraan sosial untuk meningkatkan kesejahteraan warga, terutama masyarakat miskin. Strategi utama dibagi menjadi tiga bagian, yaitu bantuan sosial; Pemberdayaan masyarakat dan program usaha mikro. Implementasi program ini telah membuktikan bahwa program kesejahteraan sosial berkontribusi terhadap pembangunan sosial ekonomi di Indonesia. Namun, pemerintah Indonesia perlu memperbaiki keefektifan program. Hal lain yang perlu kita perhatikan adalah strategi kesejahteraan sosial bukan satu-satunya pendekatan untuk mengurangi kemiskinan. Pemerintah Indonesia perlu menggabungkannya dengan pendekatan lain dalam konteks pembangunan sosio-ekonomi. Kebijakan kesejahteraan sosial harus menjadi pendekatan terpadu dalam beberapa kebijakan kerja dan strategi makroekonomi untuk mengurangi risiko dan meningkatkan pertumbuhan yang berkelanjutan.

**Kata Kunci:** kebijakan pembangunan sosial, pembangunan sosial-ekonomi

**ABSTRACT.** *This paper examines the social welfare policy and its contribution to socio economic development in Indonesia. This research uses qualitative approach with data collection technique using literature study. As the results, the government of Indonesia has implemented several strategies of social welfare policy in order to improve the well-being of the citizen, especially the poor people. The main strategy is divided into three parts, namely social assistance; community empowerment and micro-enterprise program. The implementation of the program has proved that the social welfare program contributes to the socioeconomic development in Indonesia. However, Gol needs to improve the program effectiveness. Another matter that we need to consider is that social welfare strategy is not the only approach of reducing poverty. The Gol needs to combine it with another approach in the socio-economic development context. Social welfare policies should be an integrated approach within several policies of employment and macro-economic strategies in order to reduce risks and increase sustainable growth.*

**Key words:** *social welfare policy, socio economic development*

## INTRODUCTION

In this globalization era, social welfare is not a new concept. It has been used especially by western state

since the 16th century to overcome social problems in the society, for example the Elizabeth poor laws and the factory act (Day, 1997). Recently, this concept is increasingly being used in the international sphere. United Nations defines social welfare as a set of activity that is made to improve the individual and society wellbeing and also to help people to meet their basic needs. The social welfare approach is designed not only for reducing poverty but also preventing people from being poor (Suharto, 2009a). Indonesia, as a country with high poverty rates, uses social welfare approach to alleviate poverty which is integrated in Indonesia's social welfare policy. Moreover, as a developing country, Indonesia needs to accelerate its socioeconomic development particularly in the economic growth to bring welfare to the society so that everyone can taste the fruit of development.

However, there is an assumption that social welfare programs are considered as an obstacle to economic growth. The government spending to defray the expenses of social program might reduce cost to support economic growth (Suryahadi, Hadiwidjaja & Sumarto, 2012). Is this assumption too general? Could social welfare program support the socioeconomic development of the country? This essay tries to assess the questions above.

In a broader context, social welfare is defined as a set of social provision and process to prevent and overcome social problems, to improve the quality of life, and to develop the capacity of human resources (Suharto, 2009a). In the policy context, T.H Marshall describes social welfare policy as the government policies that provide fundamental services, for instance income protection, health and the other services (Heffernan, 1992).

Socio economic development covers not only economic growth but also social aspect of development.

Development of economics basically describes the tendency why the world is divided into wealthy and poor countries, what effort can be done to change the condition through the economic growth in developing countries as well as to reduce poverty and promote welfare conditions in the poorer countries (Clunies Ross, Forsyth & Huq, 2009). Economic development is usually associated with economic growth whereas economic growth is one of the characteristic of economic development which has quantitative measurement such as Gross Domestic Product (GDP) and income per capita. On the other hand economic development is commonly perceived as a process involving not only economic growth but also changes in contributing aspects that related to economic growth, for example organization, cultural, institutional and social aspects (Hayami & Godo, 2005). The social aspect is also considered in this essay as an integrated part of development economics, such as social problems and poverty.

The measurement of socioeconomic development can be based on various types of measurement, such as an increase in Growth National Product (GNP), increase in per capita income, rise of the overall wellbeing of the community, Human development index (HDI) and basic need approach (Clunies Ross, Forsyth & Huq, 2009).

This paper examines the social welfare policy and its contribution to socioeconomic development in Indonesia. In order to analyse the notion of social welfare policy, would this become a burden or instead promote development economy, I will firstly describe the definition of social welfare and economic development. Subsequently, I will illustrate the social welfare policy by providing several examples and analysis of policy implementation in Indonesia. Finally, I will analyse what kind of contribution that social welfare program can afford to increase socioeconomic development. I consider that

implementation of social welfare policy can get along with the acceleration of economic growth.

## METHODOLOGY

This research uses qualitative approach with data collection technique using literature study. Although it does not use primary data, it is still concerned with the nature of the reference materials used. The elaboration of information from the literature study is then synthesized to conclude the conclusions about the social welfare policy and socio economic development conditions in Indonesia. This statement is at the same time a limitation of this study which only conducts studies of secondary data.

## RESULT AND DISCUSSION

### A. The Existing Social Welfare Policies in Indonesia

The government of Indonesia (Gol) has implemented Law No. 11 of 2009 concerning 'Social Welfare'. This law is the foundation of policy strategy in social welfare approach which defines social welfare as a condition which material, spiritual and social needs of citizens are fulfilled so that they can have a decent living and able to develop their capacities in order to perform the social functions (Suharto, 2009a). It focuses on the absolute poor and vulnerable people and also people in need who is facing social problems such as victims of domestic violence and disable person. Based on this law, Gol established Presidential Instruction No. 3 of 2010 concerning pro-poor program, 'justice for all' program and action plan to achieve MDG's goals. The presidential instruction defines the activities, outputs, targeted population and the agency that responsible to implement the activities (Indonesia, 2010). This is an integrated social welfare strategy which has three distinctive elements: (1) establishment of a minimum standard; (2) identification of the eligible population that compatible with the standard; (3)

establishment of delivery service procedures (Heffernan, 1992).

Since the poverty rate in Indonesia is high, in 2009 it was about 32.5 million people (14.1 percent of total population)<sup>30</sup> and development in Indonesia is slower than other developing countries, Gol has attempted to focus on poverty alleviation strategies (Suharto, 2009b). Based on the presidential decree, poverty alleviation strategy is divided into three clusters, namely (1) Social Assistance cluster which provides basic needs for poor people in food, education, health and better sanitation and to improve the quality of life of the poor; (2) Community empowerment cluster which aims to enhance income and capacity of the poor and also to engage them in the development process; (3) Micro enterprise empowerment cluster which is intended to empower the poor who has an occupation as well as to give them access to improve their wellbeing (SMERU, 2010).

In terms of social assistance, the government provides subsidized rice to protect rice consumption of the poor, poor student scholarship, social health insurance, school operational support fund and conditional cash transfer which requires poor household to use health and educational services. For cluster II and III, Gol provides community empowerment program in sub-districts and poor districts to build critical awareness and self-reliance of the community (skills training, financial training), village infrastructures program, Increasing income project for farmers, fisheries and coastal community, empower micro enterprises through microfinance and microcredit program for the poor. Moreover, Gol establish the national team for poverty reduction acceleration (TNP2K) as a coordinating agency that consists of

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<sup>30</sup>The poverty is measured by using World Bank's standard poverty line of purchasing power parity indicator 1 US dollar/day.

several ministries to implement a social welfare program (SMERU, 2010).

Besides the poverty alleviation program, the government also provides basic social services (social rehabilitation and protection) for vulnerable people and the people in need such as homeless children, children on the street, migrant workers, child labour, person with disabilities, a person with HIV/AIDS (MOSA, 2012).

According to several programs above, Golstrives to improve the citizen's quality of life, however over the last five years, the overall implementation of the programs is still ineffective and has not been proven to reduce poverty. This is because of several problems such as missed targeting over the poor, missed coordination between provider agency, lack of access to quality health and education services and also lack of monitoring and evaluation towards the programs (Daly & Fane, 2002). It is true that the programs might not directly reduce the poverty because of the long term objectives of the programs, nevertheless, the implementation of the programs has significant impact which is related to improve the quality of life of the poor. For example the subsidized rice programs could maintain the staple food consumption and enable household to allocate their financial resources to children's educational investment. Additionally, a cash transfer program could increase the usage of health and education services and also reduce the burden of poor household expenditure even though in some case there are several households that misuse the incentive money. Apart from this, the poverty reduction program through community empowerment is seen as an effective in increasing access of the poor to education and health services. As well as the microcredit program which could serve the poor community to improve their small business (SMERU, 2010).

## B. Discussion

Clunies-Ross mentions that to alleviate poverty there must be an equal distribution of income among factors of production which consists of land, labour, capital and entrepreneurship (Clunies Ross, Forsyth & Huq). Instead of using pure market models, the government should be concerned to put the poor into the circular flow of income (Heffernan, 1992). Basically, on the economic side, the Government of Indonesia tries to put cash on people hand in order to stimulate the purchasing power of the poor and accelerate the economic growth. The conditional cash transfer, for example, is given to the poor so that they can allocate their money to another basic purpose or savings instead of health and education expenses. In addition, the small enterprise group and the microfinance program also try to put the poor people in production flows of the market, although further monitoring and evaluation should be done to make sure the impact achievement of the program (Balisacan, Pernia & Asra, 2003).

Another economic function of social welfare policy is to ensure a minimum level of economic security to all people. Free trade, the instability of economic condition, macro-economic policy (structural adjustment) might cause social costs to the society for example, unemployment, poverty, famine. To overcome the excess of the economic condition that is sometimes not pro-poor, the government should reduce economic insecurity and prevent the poor and vulnerable people on becoming poorer. The cash assistance provided by Gol might affect directly to business profit by stimulating purchasing power of the communities. In this case, the notion that social welfare program such as cash assistance program will reduce the allocation fund of economic growth might be true, however the social program can also promote the economic growth that can

be measured by income per capita (Blau & Abramovitz, 2007).

Furthermore, on social side, Gol is try to build the capacities of poor people, increase the access and quality of education and also empower the poor to be self-reliant in order to develop human investment for the future generation. These all strategies are integrated into social welfare policy. Blueexamines that this effort will increase labour productivity. It would be more effective if the government could provide additional policy in the work force which can benefit the poor (Blau & Abramovitz, 2007).

According to this, it is clear that social welfare policy has contributed to socioeconomic development in Indonesia. However, to promote socioeconomic development effectively, the Gol need to carry out several efforts to assure that the poor is capable to engage into circular flows of income as suggested by Robert Lampman in Heffernan. Firstly, the government should make the market system work for the poor and vulnerable people. This means that government should play a strong role in stimulating and regulating the markets and business cycle so that people who are not served by the economy can also get benefit from it, for example the Gol could make a regulation in employment and macro-economic sector concerning disable person or unskilled person to enter the work force (Heffernan, 1992).

Secondly, the needs of the poor should be adapted into the system in order to increase equity and reduce exploitation. This effort has already done by the Gol, for instance, the government has regulated a minimum wage, hour and the safety condition in the economic sector. Thirdly, the clients need to be adapted to the system which gives opportunities to the poor and enables them to have competent skills to enter the system. Finally, if the strategies above are not working, other forms of help must be found. Social assistance, relief

payment, social insurance payment and other form of social protection should be provided by the government. Government should also work together with the private and voluntary sector to provide social services for the poor (Blau & Abramovitz, 2007).

## CONCLUSION

In summary, the government of Indonesia has implemented several strategies of social welfare policy in order to improve the well-being of the citizen, especially the poor people. The main strategy is divided into three parts, namely Social assistance; community empowerment and micro-enterprise program. The implementation of the program has proved that the social welfare program contributes to the socioeconomic development in Indonesia. However, Gol needs to improve the program effectiveness. Another matter that we need to consider is that social welfare strategy is not the only approach of reducing poverty. The Gol needs to combine it with another approach in the socio-economic development context. Social welfare policies should be an integrated approach within several policies of employment and macro-economic strategies in order to reduce risks and increase sustainable growth.

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