

Iene Muliati

School of Business and Management, Bandung Institute of Technology (email: iene_muliati@sbm-itb.ac.id)

Utomo Sarjono Putro

School of Business and Management, Bandung Institute of Technology

Yudo Anggoro

School of Business and Management, Bandung Institute of Technology

Submitted: 3 March 2021, Revised: 26 April 2021, Accepted: 27 May 2021

Muliati, Iene is a PhD candidate in Management Science with a focus on Decision Making and Strategic Negotiation at School of Business and Management, Bandung Institute of Technology. She obtained her master's degree in Management from Asian Institute of Management, Philippines, in 2004 and her bachelor's degree in Mathematics from Bandung Institute of Technology in 1994. Her research and writing interests are public policy, policymaking process, strategic decision making, political economy, social protection, social security, and pensions. She currently serves as a Council Member of Indonesia National Social Security Council for the 2019-2024 period. Prior to this position, she worked with an international organization and multinational companies in the field of social protection, social security, pensions, insurance and actuarial consulting in Indonesia, U.S., Canada, and Singapore. She is a Fellow of the Society of Actuaries of Indonesia. She currently serves as a Member of the Actuaries Assembly of the Society of Actuaries of Indonesia.

Sarjono Putro, Utomo

is a Professor in the field of Management Science with a focus on Decision Making and Strategic Negotiation. He currently serves as the Dean of the School of Business and Management, Bandung Institute of Technology. He obtained his Doctorate in Decision Science, from Department of Value and Decision Science, Tokyo Institute of Technology, Japan in 2001. He received his master's degree

Policy & Governance Review
ISSN 2580-4820

Vol. 5, Issue 3, pp. 240-259
DOI: <https://doi.org/10.30589/pgr.v5i3.456>

Ensuring Social Security for All: Key Considerations for Policy Options in Indonesia

Abstract

Social security is an essential instrument for protecting people from falling into poverty due to economic shocks in the event of sickness, work-accident, old age, and death of income producers. Indonesia introduced Law no. 40 Year 2004 on National Social Security System to implement mandatory social security programs for all. Despite the compulsory participation for all, the national social security system's coverage continues to be low and mostly relies on government aids. This study explores and analyzes key factors that need to be considered during the policy options formulation process to ensure the intended policy can support the national social security system's implementation. The findings show the need to build an integrated ecosystem model that is critical for social security implementation by considering the combined use of decision-making approaches and five consideration factors during the policy options formulation. An integrated ecosystem model contributes better policy options formulation that can support the effective implementation of the national social security programs while minimizing implementation risks.

Keywords

decision making; policy formulation; policy process; social security; welfare regime

Introduction

Social Security is one of the critical public policies produced by governments. Social security, as a subset of social protection, provides people with healthcare and financial protection to compensate for the significant reduction of income

due to various events such as illness, maternity, work accident, job losses, disability, old age, and death of the income producers (ILO, World Labour Report 2000: 29). Everyone has the right to social security (Article 22 of the Universal Declaration of Human Rights). The social security

in Decision Science from Tokyo Institute of Technology in 1995 and his B.Eng. from the Department of Industrial Engineering, Bandung Institute of Technology in 1992. Professor Sarjono Putro has published in several international journals, has presented several papers at various international conferences in Japan, Singapore, China, and Vietnam, and has written chapters in Springer Books. He has conducted consultations and training for state and private companies and governments on, but not limited to, negotiation, systems modelling for policy development, agent-based modeling, strategic decision making, systems modeling, and decision science. His research interests include systems modelling in policy development, systems thinking, systems approach in decision making, negotiation, service sciences, and agent-based modeling.

Anggoro, Yudo is the Director of Jakarta Campus as well as the Director of Center for Policy and Public Management at School of Business and Management, Bandung Institute of Technology. He obtained his PhD in Public Policy with minors in Industrial Policy and Economic Competitiveness from the University of North Carolina, Charlotte, U.S. in 2015 under Fulbright Scholarship. Dr. Anggoro completed his bachelor's degree in industrial engineering at Bandung Institute of Technology in 2004 and master's degree in management science from School of Business and Management, Bandung Institute of Technology, and graduated as best graduate with cum laude honor in 2009. Dr. Anggoro's research interests are economic competitiveness, industrial policy, transportation and infrastructure policy, public management, regional economic development, government performance, leadership, public economics, and strategic management. He previously served as Audit and GCG Committee at PT. Transportasi Jakarta (TransJakarta).

system affects people's lives considerably; thus, it has a significant role in promoting equality (Aaron, 1982). Other countries define social security differently (Pieters, 2006); no international law clearly defines social security. For example, the European Union member countries use social protection, including voluntary schemes not set up under legislation. United Kingdom's social security refers only to statutory benefits in cash; while the term social services refer to social security; health, education, and housing services, as well as provisions for social work and social welfare. In the United States, social security refers to the federal social insurance system (OASDI). In Denmark and the United Kingdom, social security aims to reduce poverty and promote income maintenance. In other countries, such as France, social security aims for income maintenance, separate from measures to deal with poverty. In Indonesia, social security refers to the national contributory social insurance programs that aim to guarantee the basic needs of a decent life for each participant and family member (Article 3 of SJSN Law) and reduce economic insecurity (Rejda, 2012) due to financial risks (i.e., loss of income due to sickness, old age, or unemployment). The government enforces the participation of employers and affected individuals. The Indonesia social security system is separate from social safety net programs that are mostly social assistance or cash transfer, or in-kind programs. However, the government also contributes to the national social security system for the poor and vulnerable for the national social health insurance program (Article 1 point 5 and Article 14 of SJSN Law). This article focuses on social security and will not delve into social assistance in detail.

Wood and Gough (2006) argue that social policies are the outcome of a country or region-specific political settlement. Despite rejecting the idea of one size fits all, Wood and Gough (2006) argue a "moral hierarchy of welfare regime forms ranging from insecurity to informal insecurity to formal security," but this can vary depending on the circumstances of a country or region's welfare regime; and different welfare mixes may help achieve a universal goal while remaining realistic.

Holliday (2000) proposes adding productivist welfare regimes for East Asian countries after studying welfare regime approaches exercised by Japan, Singapore, Hong Kong, South Korea, and Taiwan; he argues that welfare regimes in those countries do not belong to a conservative-liberal-social democratic typology of welfare regimes as described by Esping-Andersen (1990) in *The Three Worlds of Welfare Capitalism*. The productivist welfare regimes combine informal and formal welfare (Wood & Gough, 2006). In a productivist welfare regime, social policy is subordinate to economic policy (Holliday, 2000). It is concentrated on social investment, notably in education and basic health rather

than social protection (Wood & Gough, 2006). In a productivist welfare regime, the social right, that is to ensure the fulfillment of basic needs, is minimal and its extensions linked to productivity activity (Holliday, 2000).

The category of welfare regimes in Indonesia has been evolving since the insecurity welfare regime during the Soekarno era from the date of independence in 1966 to the informal security welfare regime after the Soekarno era in 1966 until now (Sumarto, 2017). The types of welfare regimes have also changed three times. The precarious welfare regime type was adopted during the Soekarno era. It was followed by productivist welfare regime that was targeted to specific groups during the Soeharto era from 1966 to 1998 (Sumarto, 2017), which showed the application of occupational pension programs for selected groups including state apparatus and private sector workers. After the economic crisis and during Reformation era from 1998 to 2014, the welfare regime changed to the informal-liberal regime that combined informal support and the introduction of social safety nets (Sumarto, 2017) that was mostly social assistance in the form of cash transfers or in-kind transfers for targeted recipients and existing occupational pension programs for selected groups. And now the transition to informal-quasi-inclusive regimes beginning in 2014 (Sumarto, 2017) after the introduction of the national social security system in 2014.

Indonesia introduced Law No. 40 Year 2004 concerning the National Social Security System (referred to as SJSN Law) in October 2004, as mandated in Article 28H sub-article (3) about the rights to have social security and Article 34 sub-article (2) of the Indonesian Constitution 1945. The national social security system is compulsory for all Indonesians and foreigners staying in Indonesia for more than six months; it is run based on the social insurance principle. Workers and their employers, make a mandatory contribution

to fund the system. The salaried workers, mostly formal workers, and their employers pay a certain percentage of their salaries to the programs, while non-salaried workers, who are mostly informal workers, pay fixed contribution amounts to the programs. The government contributes to the system for its state apparatus workers and the poor and vulnerable eligible for government contribution aids. The national social security system aims to guarantee the basic needs of a decent life for each participant and family member (Article 3 of SJSN Law).

Law No. 24 Year 2011 concerning Social Security Administrators (referred to as BPJS Law) was promulgated in October 2011, more than two years after the 2009 deadline. BPJS Law established two social security administrators. Namely, BPJS Kesehatan, to manage the national social health insurance program (JKN) and BPJS Ketenagakerjaan responsible for managing employment social security programs, including work-related accidents (JKK), old-age savings (JHT), pensions (JP), and death benefits (JKM) programs. It took two years to prepare derivative regulations of SJSN Law and BPJS Law that would support the starting point for implementing the national social security system. BPJS Kesehatan started operating on January 1, 2014, and BPJS Ketenagakerjaan began its operation on July 1, 2015.

Indonesia enacted Law No. 11 Year 2020 concerning Job Creation (referred to as Cipta Kerja Law) in November 2020. The Cipta Kerja Law introduced one additional social security program, the unemployment insurance program (referred to as JKP), managed by BPJS Ketenagakerjaan. With the issuance of Government Regulation No. 37 Year 2021 concerning the Unemployment Insurance Program's Implementation, the unemployment insurance program was officially implemented in February 2021.

Despite the mandatory participation for all, the national social security system's

coverage has not met targets set out in the 2012-2019 implementation roadmap of social health insurance and the 2013-2019 implementation roadmap of employment social security programs. Instead of reaching universal health coverage by 2019, BPJS Kesehatan's December 2020 data shows 222,461,906 people, or 82.52 percent of the Indonesian population, participate in JKN, but 11.05 percent of them are inactive members. Moreover, 59.68 percent of existing participants currently receive government contribution aids (BPJS Kesehatan, December 2020). The salaried workers, primarily formal workers, accounted for 24.79 percent of the participants. In comparison, the non-salaried workers, who are primarily informal workers, amounted to 15.53 percent of existing participants (BPJS Kesehatan, December 2020). Political priorities, service quality, inequality of access to service, local government supports, and cost containment has affected the government's ability to reach its goal for affordable health care for all (Pisani et al., 2016). Pisani et al. (2016) argue that to achieve sustainable health coverage for all Indonesians, the government should also weigh in on technical considerations. A study conducted by Fossati (2016) also shows that collaboration within central and local governments is essential as analysis of the implementation of Jamkesmas in Indonesian districts shows that local politicians are responsive to their low-income constituents and increased political competition improves the delivery of social services (Fossati, 2016).

In contrast, participation in employment social security programs is low compared to the current labor force. The labor force stands at 138,220,000 as of August 2020 (Central Bureau of Statistics, 2020); however, 60.47 percent are informal workers (Central Bureau of Statistics, 2020). Only 29,980,082 or 21.69 percent of the labor force participate in work-accident and death benefit programs; 8.32 percent of them are non-salaried workers (BPJS Ketenagakerjaan,

December 2020). Participation in the old-age savings program only accounted for 26.42 percent of the labor force, of which only 2.11 percent of them are non-salaried workers, and to make it worse, 56.73 percent of existing old-age savings participants are inactive members (BPJS Ketenagakerjaan, December 2020). Participation in the pensions program is no better; it only accounted for 11.90 percent of the labor force, of which 23.81 percent of them are inactive members.

Murphy (2019) says that the Indonesian social security development is dynamic and still in the formation process; its policies development is influenced by environmental changes of the country, including politics, the choices, and vested interests they embody. The current COVID-19 pandemic proved his point; the governments in the region have to adjust their social welfare policies to make them appropriate and adequate to manage the risks, crises, and their changing social, economic, and political environments (Mok et al., 2020). The governments have an urge to balance economic growth, social development, and welfare needs by considering their financial and governance capacities (Mok et al., 2020). To achieve it, governments must work collaboratively with the market, community, family, individuals, and the global society (Mok et al., 2020).

The number of participants in the national social security programs and the continued evolution of Indonesia's social security policy shows that implementing national social security programs is challenging. Stating that they are mandatory for all in SJSN Law is not sufficient for guaranteeing people's participation in the national social security programs. For this purpose, the authors will explore and try to identify critical factors that need to be considered during the policy options formulation process and propose an ecosystem model to ensure the intended policy can support the national social security system's implementation.

Social Security

International Labour Organization Convention No. 102 introduced Social Security (Minimum Standards) in 1952, aiming for providing nine classical benefits: health care, illness, unemployment, old age, work injury, family benefit, maternity, disability, and the death benefit (ILO). The Convention sets minimum objectives for coverage, benefit adequacy, and qualifying conditions; but, it also allows flexibility on the type of scheme for implementing the Convention (universal schemes, contributory social insurance schemes, means-tested social assistance schemes).

In 2012, the International Labour Organization's Social Protection Floor's Recommendation No. 202 endorsed adopting a universal social protection floor as a human right to close social security gaps by implementing a comprehensive social security system. Social protection floors, at a minimum, provide access to essential health care and basic income for families with children, working-age people who earn insufficient income, and the elderly so they can live in dignity. To achieve universal coverage, ILO recommends that countries progressively include people in the social security system, considering national economic and fiscal capacity and guided by ILO's other social security standards. Recommendation No.202 also guides the good governance, delivery, and financing of social security systems.

Social security in Indonesia runs on the social insurance principle. Social insurance is usually an earning-related benefit to insure against loss of income. It is a contributory system in which people contribute to fund the promised benefits in the event of social risks. The paid contributions are pooled instead of going into individual accounts. The members currently receiving benefits are funded by the contributions paid by current active members; when the current active members retire, their benefits will be paid for by the next generation of active members.

The government often supports social insurance systems. Still, the financing of a scheme via general revenue (tax-financing) does not necessarily remove the social insurance characteristics from the scheme. The law dealing with social insurance schemes pertains to public law. Participation in the social insurance system is, as a rule, compulsory; however, certain exceptions may apply depending on where the affected people reside. For example, Indonesian people who reside abroad may not be subject to the National Social Security System while overseas.

There are ongoing debates about whether the governments around the world should protect people from any social risks by providing them with comprehensive life cycle grant benefits, based on the people's need and vulnerabilities, reflected in the varied implementation of such recommendations depending upon the countries' social policies, socio-economic development stages, and fiscal capabilities. Thus, the policy option formulation process needs to be well-managed and consider various factors and broader stakeholders to avoid unintended social and political costs.

Policy Process

Anderson (2014) defines public policy specifically as a relatively stable, goal-oriented action implemented by actors to solve a problem or matter of concern. Anderson (2014) says that governmental bodies and officials developed public policies, although nongovernmental actors and factors may also influence public policy development. According to Anderson (2014), the policymaking process includes five stages. The first stage is problem identification and agenda setting, where problems requiring government attention are identified. The second stage is policy formulation, where stakeholders consider a variety of policy options or actions to address the problem through dialogue, formulation, and consolidation. The third stage is policy adoption,

where the government will then need to decide on an ultimate course of action, whether to maintain the policy status quo or change it. The fourth stage is policy implementation, to implement a chosen policy. The last stage is policy evaluation to assess the effectiveness of policy implementation in terms of its targeted goals or intentions and results by examining its impact and outcomes.

Decision Making

Several policy decision-making theories exist, but the authors use only rationalism, incrementalism, garbage can, and the advocacy coalition framework (ACF) model for this research. According to the authors and based on the authors' experience working on policy design and implementation, these theories are more applicable to Indonesia.

Decision-making ideally starts by identifying policy issues and then devising and implementing an evidence-based solution (Hill & Varone, 2017). John (2012) argues that the techniques used to inform rational decision making, such as cost-benefit analysis, face difficulties in calculating social costs and benefits, and policymakers always need to make value judgments about the desirability of policy projects. Bureaucracies assigned to develop policy advice are inherently complex and political and may decide based on organizational cultures and political struggles rather than optimal solutions (John, 2012). The Indonesian government has moved toward evidence-based policymaking, including national social security policies. Although policies may not be fully decided based on a cost-benefit review, the policy decision-makers are aware of each policy option's economic impact. In the end, a policy might be a product of compromise, but the best solution is decided at a certain point in time.

The incrementalism model assumes that decision-making is not entirely rational but still maintains the assumption to develop policy solutions to identify problems. The trade-off is

common to achieve a politically feasible outcome, resulting in incremental change (Lindblom, 1959). Varied interests and multiple actors/stakeholders involved in the national social security system agenda have made consensus-building an essential factor for coming up with a final policy decision that most stakeholders can accept. As such, incremental policy changes are more likely to be accepted to maintain a balance of interests among stakeholders.

Howlett et al. (2009) and Zahariadis (2014) said that different stakeholders, with various competing interests and agendas, may raise issues and offer possible solutions for their gains, resulting in the policy's chaotic development. Kingdon (2003) later conceptualized the extended garbage can model to explain how problems were identified and brought to policymakers' attention at the agenda-setting stage. As a mandatory program, the national social security policy applies to all Indonesians and foreigners staying in Indonesia for more than six months; which means the policy will impact central and local governments, the private sector, the public sector, and the public. These stakeholders might have different interests and try to influence the policy process by providing input and analysis from their perspectives.

The advocacy coalition framework (ACF) model assumes that policy actors seek to make rational decisions, though often, the rationality with which decisions are made is hindered by various complex factors. Sabatier et al. (1993, 2014) explain that the ACF model argues that the policy process is a long-term negotiation between coalitions of interests, policy brokers, and political institutions that share a set of fundamental beliefs. These coalitions compete and interact to influence policy change.

Methods

Saunders et al. (2015) argue that the research philosophy option ultimately influences data collection mechanisms and represents the

researcher's unique value. The authors adopt a pragmatism research philosophy for this research. According to pragmatism research philosophy, the research question is the most critical determinant of the research philosophy (Saunders et al., 2015). Pragmatists use a method or combination of methods that advance specific research in the best possible manner. The characteristics of the pragmatism paradigm follow research problems and questions, also known as a research model of State of the Art, and the researcher focuses on practical solutions and outcomes (Saunders et al., 2015).

This study uses a multi-method qualitative approach in which data collected through regulations, archival government documents, reports, presentations, literature, and interviews is used to support the analysis. The authors try to understand the social phenomena related to the policy options formulation process in natural settings by gathering a general explanation of the policy options formulation process, actions or interactions that had been taken, and internal or external factors influencing the process through in-depth perspectives and views, and insights of the respondents. The authors also seek additional insights by analyzing regulations, archival government documents, presentations, reports, and news related to the policy issued by the government.

The authors use abductive reasoning for the study. Abductive reasoning usually starts with an incomplete set of observations and then seeks the simplest and most likely explanation. The abductive approach is the most relevant for day-to-day policymaking, including policy option formulation, which functions best with information at hand, which is often incomplete.

Selection of Respondents

The authors use purposive sampling for this study as it involves a small sample (Neuman, 2007), considering the nature of the policymaking process for the national social security programs

in Indonesia. The authors use their professional judgment to select respondents that can best answer the research question (Saunders et al., 2015) and apply the following criteria for selecting respondents: length of time working on social security agenda, their role and involvement (direct and indirect) in the national social security policy and implementation, their roles in the national social security policymaking process, current job position, and organization. In this study, six respondents were interviewed: government officers, quasi-government officers, labor union representatives, and public policy experts. One out of the six interviewees was referred by another interviewee. The authors contacted the respondents to confirm their availability, willingness, and consent to be interviewed. Table 1 shows the information about the respondents.

Data collection: semi-structured in-depth interview and secondary data

Data collection was conducted between February 25 and September 27, 2020, using a semi-structured in-depth interview technique. The semi-structured in-depth interview technique was chosen based on the authors' list of questions. The interviews were conducted in a public place or the informants' workplaces or via zoom video calls due to pandemic situation that prevented the authors from meeting with interviewees face-to-face.

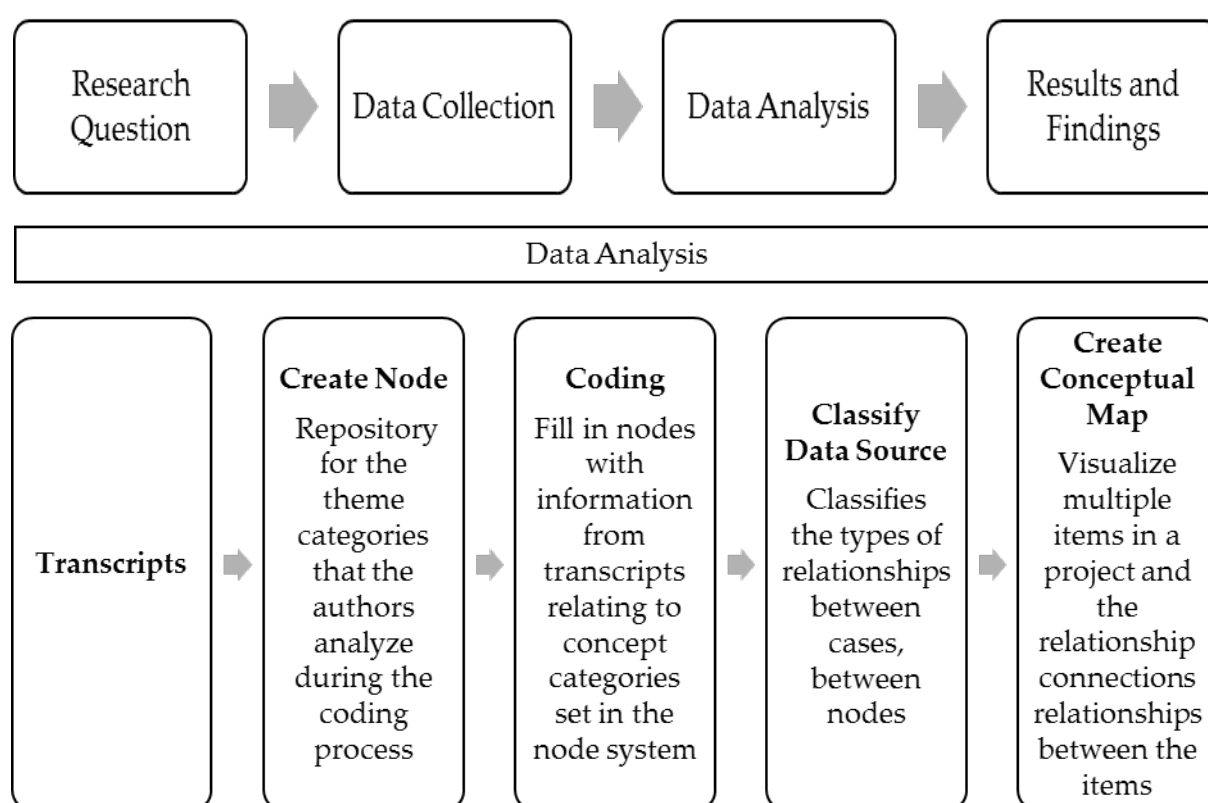
We began the interview by asking the key questions: their perspective of current policy options formulation as part of the policymaking process and their role in the process; and then asked other questions following the discussion flow but keeping in mind the list of questions prepared. During the interview, the authors explore the respondents' personal histories, perspectives, and experiences. The interviews run between 33 minutes to 2 hours 55 minutes, depending on the availability of the respondents and the authors' judgment about when there was no more information that could be explored. In one

Table 1.
Respondents' Information

Position Level	Organization	Data Collection Type	Meeting Type	Duration
Head of Division Level	Government	Semi-structured in-depth interview	Face to face	1 hour 37 Min
Director Level	Government	Semi-structured in-depth interview	Virtual	1 hour 20 Min
Public Policy Expert	Research Institute/ University	Semi-structured in-depth interview	Face to face	2-hour 55 Min
Director General Level	Government	Semi-structured in-depth interview	Virtual	54 Min
Director Level	Quasi-Government	Semi-structured in-depth interview	Virtual	33 Min
Labor Union Representative	Labor Union	Semi-structured in-depth interview	Virtual	40 Min

Source: obtained from primary data

Figure 1.
Research Process



Source: Research process by authors

case, the session took longer since the respondent had an abundance of unique information to provide. The interviews cover a broad range of policy options formulation issues. All interviews were tape-recorded.

For credibility purposes, the author provides complete and transparent information on research purpose, data gathering, and research process.

Data analysis

The authors transcribed data collected from recorded interviews. The interview transcripts were then analyzed, coded, and grouped by themes using qualitative data analysis software. Analysis continued throughout the writing process.

The authors also analyzed related regulations, available government documents,

reports, presentations, and websites describing the national social security system's implementation and its progress and challenges. The authors conducted a gap analysis to see differences between actual implementation and the initial objective of national social security programs.

The authors also discussed the findings with two interviewees to get further feedback on the results; this was also part of the triangulation process needed to ensure the reliability and validity of the findings.

Results and Discussion

The general findings of the in-depth interviews with the six respondents and the gap analysis are that each stakeholder has the right to express their opinion and that the policy should capture those varied interests among stakeholders.

Policy Intention

The national social security system's principles include mandatory participation (Article 4 letter g of SJSN Law). However, Article 13 sub-article (1) of SJSN Law states that employers must gradually register themselves and their workers with the social security administrators, following the social security program they participate in. Furthermore, the 2012-2019 roadmap for social health insurance implementation and the 2013-2019 roadmap of the employment social security programs implementation also show a gradual implementation plan based on company size and employment status spread out from 2014 to 2019. Article 8 of Presidential Regulation No. 109 Year 2013 concerning the Membership Stages of the Social Security Program also states that self-employed, non-salaried workers, and non-workers can participate in old-age savings and pensions programs. These regulations and roadmaps make some national social security programs voluntary for certain groups in a certain period. The gradual policy's impact is that those categories' coverage

has remained low, particularly for employment social security programs (Figure 4, Figure 6, and Figure 7).

This finding shows that incremental policy adoption itself may not be sufficient to meet the intended policy goal which is to protect people from financial hardship in the event of sickness, work-accident, old-age, lay-off, and death of income producer through mandatory participation. The incremental approach assumes the adoption of a series of policies built toward reaching the main or intended policy goal, but its adoption success depends on the political dynamics between those affected that may change over time; hence, achieving desirable goals may no longer be possible. Therefore, the incremental policy approach needs to be done in parallel with preparing the future landscape and considering alternative policy scenarios to avoid unmet goals, which is providing social security to all.

Disharmony in Regulation

Implementation of the National Social Security System requires further issuance of both SJSN Law and BPJS Law's derivative regulations. To support the implementation of the National Social Security System, throughout 2013 until 2019, the government has issued more than 130 derivative regulations in the forms of Government Regulation, Presidential Regulation, Presidential Decree, Presidential Instruction, Ministerial Regulation, Ministerial Decree, Regulation of The National Social Security Council, and Regulation of The Social Security Administrators.

However, what specific individuals choose to do, especially how institutional leaders decide to behave, will inevitably affect Social Security decisions (Arnold, 1998). Disharmony between regulations and SJSN Law exists; it affects the implementation of the national social security programs, diverting the system from its initial goals and creating frustration among stakeholders involved in implementing the national social security system.

'In my opinion, the existing regulations are in place, it is good. However, decision-makers with limited knowledge of the system may say, "Oh, this is not the time." I think this is the problem. Increasing understanding in terms of substance is critical; education to policymakers needs to be done. Concerning best practices, for example, during this pandemic, what was the best, what other countries did. Then the integration between regulations and between agencies needs to be improved. Some egocentric things should be eliminated; there is no need to be afraid of losing their authority. So that this country has better social security so that overlapping and disharmony do not occur.'

(R-5, male, quasi-government officer).

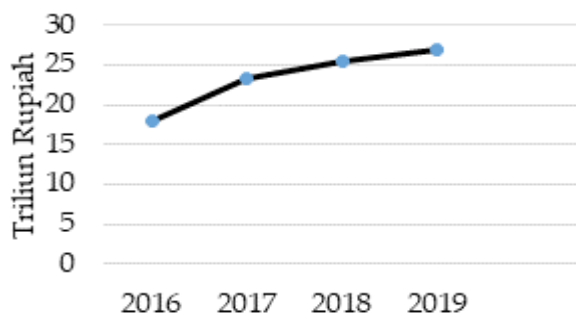
Disharmony in regulation has jeopardized the goal and the philosophy of the program itself. For example, the old-age savings program aims to provide a cash benefit in the event of retirement, total permanent disability, or death (Article 35 of SJSN Law). The participant can draw some portion of the cash benefit upon reaching a minimum of ten years of participation in the old-age savings program (Article 37 sub-article 3 of SJSN Law). However, based on Article 26 of Government Regulation No. 60 Year 2015 concerning Amendments to Government

Regulation No. 46 Year 2015 concerning The Implementation of the Old-Age Savings Program, the old-age savings benefits must be paid to participants when participants reach retirement age. The word retirement age is further explained in its elucidation, which states that reaching retirement age includes participants who stop working.

Moreover, Regulation of the Minister of Manpower No. 19 Year 2015 concerning Procedures and Requirements for Payment of Old-Age Savings Benefits states that the payment of the old-age savings benefit is paid in cash upon reaching a one-month waiting period starting from the issuance of a certificate of resignation from the company or the date of dismissal in case of laid-offs. Both regulations allow participants to withdraw their old-age savings before they reach retirement age or ten-year membership requirements; hence they contradict Article 35 and Article 37 of SJSN Law.

In 2016 there was an attempt to rectify the early withdrawal policy due to feedback from various social security administrators and workers (Bisnis.com, 2016). The tripartite meeting was conducted in October 2016; all parties agreed to change the requirement of early withdrawal upon five-year membership (Bisnis.com, 2016). However, until February 2021, the

Figure 2.
Claim payment of the old-age savings



Source: BPJS Ketenagakerjaan, 2020

Figure 3.
Old-Age Savings Claim Classification

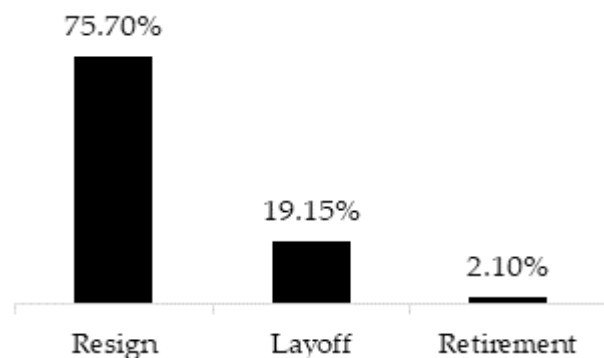
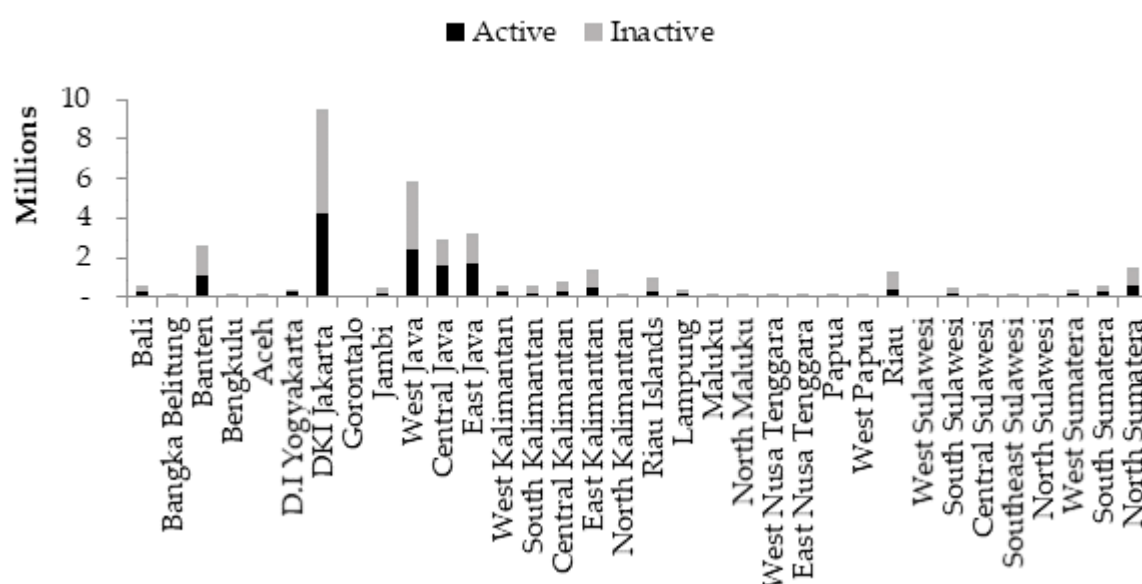


Figure 4.
Coverage of old-age savings programs by region, 2020



Source: BPJS Ketenagakerjaan, 2020

proposed policy change has not yet materialized. Hence, the claims for payments from the old-age savings program have increased steadily (Figure 2), resigning has been the main reason for withdrawing benefits earlier (Figure 3).

The early withdrawal allowed by both regulations has also increased the number of inactive participants in the old-age savings program (Figure 4); hence, leaving people even more vulnerable when they retire.

The lesson learned from this case is that the garbage can policy approach has hindered the government in meeting the old-age savings program's initial goal. Therefore, if the garbage can approach is used, it may need to be combined with a rational approach to ensure that the policy can be sustained and the policy goals are met. Nevertheless, the policy aims to provide guidance during certain times; therefore, it may be adjusted to suit environmental changes; hence rational approach.

'...the regulations follow the times and so on as well as the conditions that occur.'

(R-6, male, labor union).

'In the past, it was rare for the government to correct its policies; once published, it would be exercised and maintained for a long time. Now, we saw policy changes, either due to rapid changes that occur or public response. In my opinion, this is a significant difference. We can also see this happen to the national social security policy. Some policies may no longer be suitable, and we feel the need to change them and so on, and we try to make changes gradually, including the regulations.'

(R-4, male, government officers).

Managing Multiple Stakeholders' Interests

The government implemented the National Social Security System in 2014; however, social security is still considered a new concept in Indonesia, requiring socialization, continuous public education, and constant knowledge and information sharing to all stakeholders, particularly on the basic principles and fundamental idea of the National Social Security System, including the rights and obligations of the system.

As a form of public policy, the National Social Security System policy may affect multiple stakeholders with varied interests; they include government, business associations, workers, public, and parliament. The absence of early political analysis has led to unfortunate outcomes and drives reform of the national agenda (Arnold, 1998); hence understanding stakeholders' influence and interest are essential to secure continued support and involvement of various stakeholders on the National Social Security System policy and implementation.

'Social security policies have many stakeholders. It is common to see a tug of war among stakeholders. However, the key is to build commitment first.'

(R-3, male, public policy expert).

'....in the 90s, I noticed that the policy process was not as participatory as it is now. Mostly, it was the government who knew the problem and its solutions.....

After 1998 we carried out reforms that changed the policy process; the participation of various parties was more pronounced, including public debates in the mass media. There were many good comments and feedback that were also considered in the formulation of a policy. In my opinion, this change is fundamental because from how it used to be one-way, now there is feedback and correction.'

(R-6, male, government officer).

Parliament, as legislators, have an essential role in shaping social security policy (Pieters, 2006), particularly statutory law in Indonesia. Furthermore, the legislators' buy-in might also affect the policy implementation on the ground since they also represent their local constituents.

The business association representing employers of formal workers also plays a vital role in supporting the implementation of the national social security system. The still low participation of current formal workers in the

national social security system proves that their buy-in toward the national social security policy and its commitment may help narrow the social security gap by protecting their employees through the system.

Another interest group, such as facility providers, particularly for social health insurance, has a significant role in the national social security implementation success. They are the people delivering services on the ground. Their buy-in about the system and commitment to supporting its implementation is critical. For example, when BPJS Kesehatan experienced a financial deficit in 2019, it greatly affected the hospitals. The hospitals could not refuse any participants seeking services. With the limited financial resources they had, they might have had to provide substandard services to participants (BeritaSatu.com, 2019), which may have impacted people's trust toward the system, thus generating less interest in participating in the system.

Workers are motivated by having higher benefits but with a lower contribution. Since the National Social Security System is mandatory, the employees do not necessarily see the relationship between the contribution paid by their employers and better productivity required from them. On the other hand, employers' motivation is to pay a contribution, which will not add to higher total labor costs. Employers may also expect that their contribution to the system will improve their employees' productivity and create less conflict between employers and employees.

This finding shows that the advocacy coalition framework approach may help understand stakeholders' influence and interest and secure continuous support and involvement of various stakeholders on the National Social Security System policy and implementation.

Institutional Governance

SJSN Law describes key stakeholders of the national social security system. It establishes

two important institutions: the national social security council (Article 6 of SJSN Law) and social security administrators (Article 5 of SJSN Law). The national social security council and the social security administrators are responsible to the President (Article 7 sub-article (1) of SJSN Law, Article 7 sub-article (2) of BPJS Law).

The government first established the national social security council in 2008. The national social security council's role is to formulate general policies and synchronize the national social security system's implementation (Article 7 sub-article (2) of SJSN Law). Its duties include conducting review and research on matters related to the implementation of social security, proposing investment policies for National Social Security Funds, recommending a social security budget for the recipients of government-paid contribution, and recommending the operational budget of both BPJS Kesehatan and BPJS Ketenagakerjaan for the Government (Article 7 sub-article (3) of SJSN Law). To support its role and duties, the National Social Security Council has the authority to monitor and evaluate the implementation of the National Social Security System (Article 7 sub-article (4) of SJSN Law).

BPJS Law established the role of social security administrators to manage the day-to-day operation of the national social security programs, including registering participants, collecting contributions, managing social security funds for the benefits of participants, collecting and managing participants data, paying benefit claims, and providing information on the implementation of national social security programs to participants and the public (Article 10 of BPJS Law). In supporting its role, the social security administrators are also given authority, including supervising and examining participant compliance in fulfilling their obligations and collaborating with other institutions to support the national social security council (Article 11 of BPJS Law).

BPJS Law also states that the social security administrators are supervised internally by the supervisory board and internal audit and externally by the national social security council and independent supervisory agencies (Article 39 of BPJS Law). The independent supervisory agencies are the Financial Services Authority and the State Audit Board (the elucidation of Article 39 sub-article (3) of BPJS Law).

However, in practice, the national social security system stakeholders is a larger group than described in the SJSN Law. The stakeholders include technical ministries, sectoral ministries, and supervisory agencies, which are not explicitly mentioned in both SJSN Law and BPJS Law and are mainly regulated under different laws. Although their authority regarding the national social security system is not stated in SJSN Law and BPJS Law, their roles are often described in SJSN Law and BPJS Law's derivative regulations. Moreover, they may also be responsible for setting sectoral policies that may overlap with the national social security plan. Thus, the complexity of stakeholders' involvement resulted in various views on who is responsible for what in practice or even identified overlapping tasks.

'Our position is unique. We are not given any authority in both SJSN Law and BPJS Law. However, sometimes we are asked to introduce or propose certain regulations. I am confused because the national social security council should have done this.'

(R-2, male, government officer).

Nevertheless, most agree that the regulatory aspect containing the institutional arrangement should be used as a reminder to set aside the sectoral ego and point out each stakeholder's authority and territory.

'The national social security council is an independent agency that has to coordinate the implementation of national social security programs. This

Council needs to be repositioned as originally designed in SJSN Law.'

(R-6, male, labor union).

'So, follow the articles on the law, show what the authority of the national social security council is and what should be done.'

(R-3, male, public policy expert).

'...the roles of the technical ministries, social security administrators, and external supervisors, especially the national social security council, in policymaking, are stated in the regulations; thus, I believe all parties are subject to the regulations with regards to their respective roles, functions, and authorities. The technical ministry indeed initiated the policy regarding employment social security with several stakeholders. Studies and research usually come from us, but we usually must go to the national social security council because the Council's role is to provide a guideline for social security policymaking. The Council has capability; ministries also use studies conducted by the national social security council as a basis for policymaking.'

(R-5, male, quasi-government officer).

This finding shows that transparent institutional governance is essential to avoid duplication or confusion. Regulation supporting transparent institutional governance is needed; hence, harmonizing existing policies and regulations is crucial for governance.

Operational

Social security is considered a new concept for most Indonesians, where culturally, they depend primarily on their families and relatives in economic shocks. Improving public awareness and changing their views toward financial protection may need particular intervention, including continuous financial literacy and public education, compliance, and law enforcement.

The social security administrators have the authority to impose administrative sanctions on participants and employers who do not fulfill their obligations (Article 11 letter f of BPJS Law), report employers to the competent authority regarding their non-compliance in paying contributions or in fulfilling other obligations by laws and regulations (Article 11 letter g of SJSN Law) and collaborate with other parties in the implementation of the national social security programs.

Both BPJS Kesehatan and BPJS Ketenagakerjaan, among others, have taken the initiative to collaborate with the Prosecutor's Office to improve compliance among participants and employers in the national social security programs, which has included signing a memorandum of understanding with the Ministry of Labor for expanding membership, improving service quality, as well as increasing compliance and law enforcement. However, compliance remains a matter of concern. Even if companies participate, they may report a low number of employees or report only some of their employees' salaries or only participate in some programs, which means that workers' rights are not fully granted by the company or employer (Tempo.co, 2018). This finding shows that tracking compliance should be a continuous effort. Also, by collaborating with other parties, improving compliance can be done systematically by optimizing technology for compliance analysis. The supervisory bodies responsible for monitoring and evaluating the programs' implementation need access to the system and data to recommend preventive solutions to specific implementation issues.

As an archipelago country, it is impossible to implement the National Social Security System only by the central government. As a national policy, the National Social Security System requires active implementation by sub-national and local governments. Therefore, the subnational and local governments' support for the social security policy implementation is critical. The social

security administrators have collaborated with several local governments to ensure participation and compliance in their respective areas.

However, the coverage of social security is still considered low and diverse among regions. Figure 5 shows that the national social health insurance program has more participants than employment social security programs (Figure 4, Figure 6, and Figure 7), but the dominant participants are government aid recipients. The coverage trend is almost similar across all programs. Five provinces, namely DKI Jakarta, West Java, Central Java, East Java dan Banten, have higher coverage than other regions (Figure 4, Figure 5, Figure 6, and Figure 7).

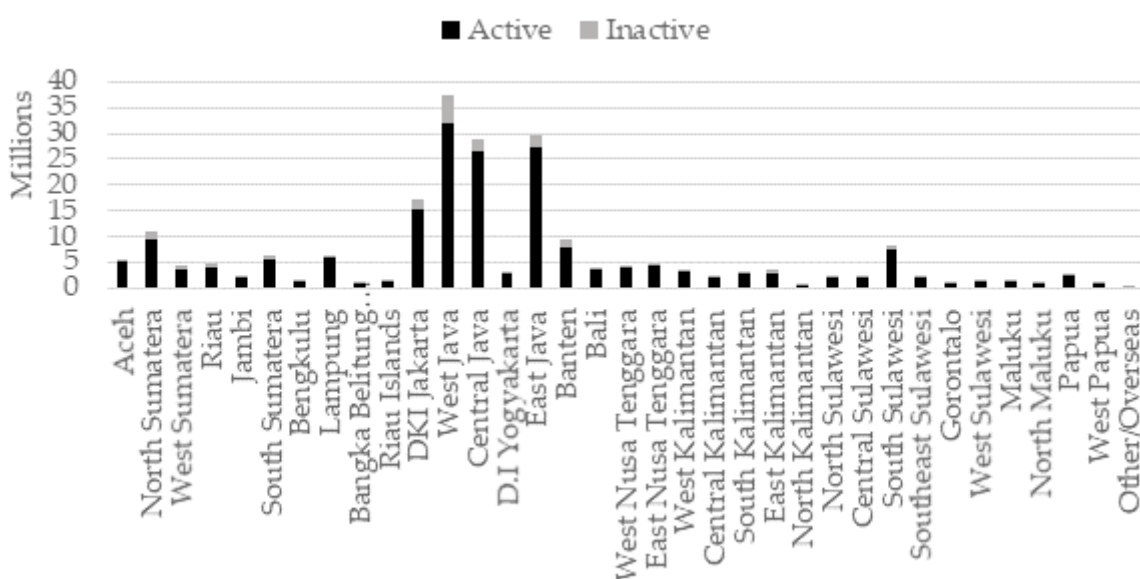
This finding shows that the memorandum of understanding (MoU) with the sub-national and local government may not be sufficient to implement the national social security programs. The rational approach should be adopted by realizing that sub-national and local governments should be given more roles to support national social security programs. The support from the local governments should not be limited to only creating awareness and providing public

education but also in ensuring the supply side, expanding participation, ensuring compliance among the system members, and, to some extent, providing financing for the vulnerable in their region.

Evidence-based Policy

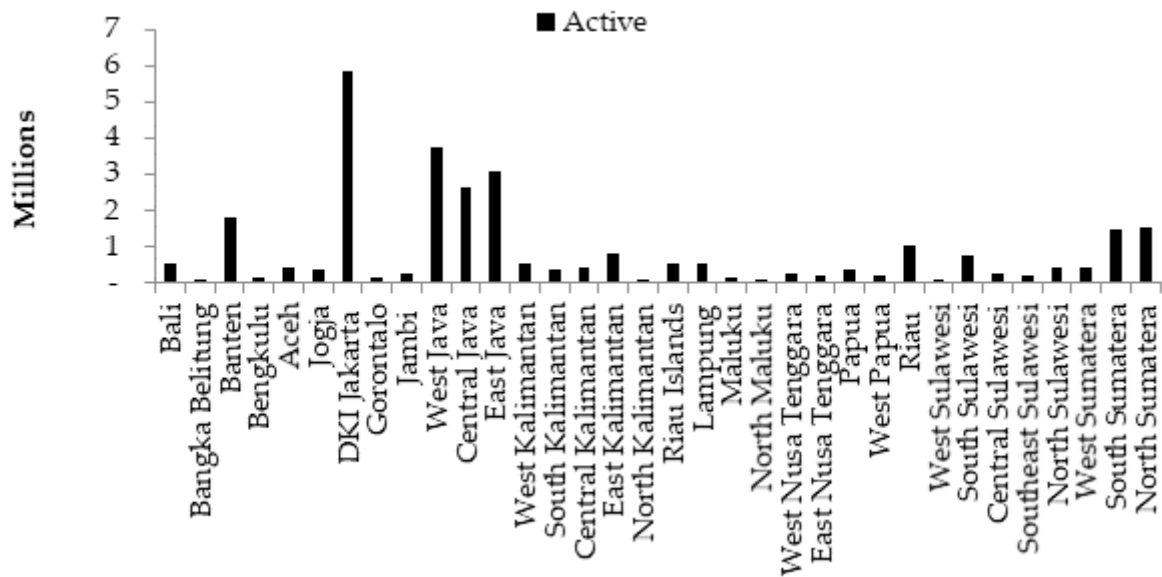
Designing policy and financing on the National Social Security System requires balancing social logic and financial logic. Social logic refers to the level of benefits to meet people's needs. As the National Social Security System is a mandatory contributory system, participant contribution to the system should finance the promised benefit; thus, financial logic applies. The contribution amount should not only be set to match the promised benefits, but it should also be affordable to all and consider the stakeholders' willingness to pay (Government, firms, workers, public) into the system to maintain the system's financial sustainability in short-, medium- and long-term. Besides, total labor cost, job creation, and Indonesia's competitive advantages and attractiveness to investors are also critical factors for deciding the level of contribution required.

Figure 5.
Coverage of social health insurance by region, 2020



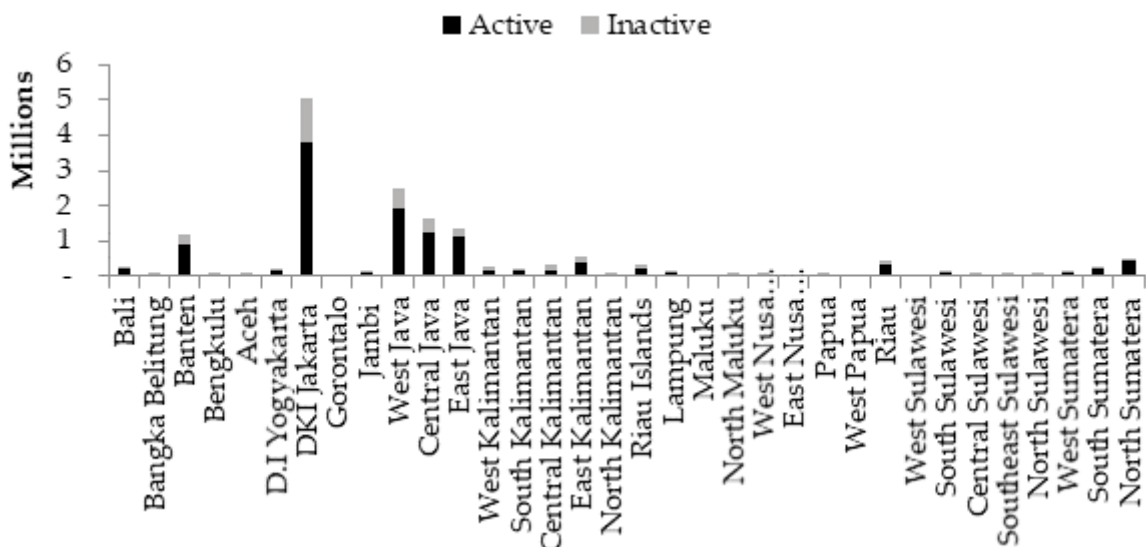
Source: BPJS Kesehatan, 2020

Figure 6.
Coverage of work-accident and death benefit programs by region, 2020



Source: BPJS Ketenagakerjaan, 2020

Figure 7.
Coverage of pensions programs by region, 2020



Source: BPJS Ketenagakerjaan, 2020

‘We build a credible, well-thought, and well-informed policy based on an objective way of thinking, fairness, and so on. There will always be a challenge to convince others that it is a better policy.’

(R-4, male, government officer)

‘In my opinion, there should be a stronger foundation academically on problem and solution so that we can defend policy scientifically when the political influence is strong, for example, in determining pricing, which can cause the program to be unsustainable. Another factor is the

rationality, efficiency, and effectiveness of the policy, whether the policy can be implemented immediately or, for example, years later to allow preparation for the socialization, system, and budget. Finally, the direct and indirect impacts of a policy, which must be measured.'

(R-5, male, quasi-government officer)

Balancing social logic and financial logic is not easy as it involves competing agendas, and to some extent, conflicting interests. On the one hand, people support the idea of having social security benefits for all. On the other hand, people may also be reluctant to contribute to funding the promised benefits. Balancing social and financial objectives has remained an issue, often resulting in the mismatch between the contribution (low contribution rate) and the benefit (comprehensive) contributing to the programs' future financial sustainability.

'A leader often makes a policy that may be different from what many think, but as long as the leader firms and is aware of what the consequences are, and the leader commits to guarding so that its implementation is following what he thinks; and then if there is something that needs to be corrected, the leader does not hesitate to fix it or move a little for obvious reasons; if these things are consistently applied, a credible view of the policy will emerge, not for individual interests but the interests of the wider community.

We do not defend policy blindly; we are ready to adjust, and so on. If we consistently build policies with this method, credibility will emerge from current and future policymakers.'

(R-4, male, government officer).

This finding shows that policy options formulation needs to consider evidence by analyzing data and facts from implementation in the field. However, technical and technocratic approaches may not be sufficient to ensure the

proposed policy options can be accepted. Thus, during policy options formulation, not only should stakeholders consider possible actions and mitigating consequences, but also political acceptance probability of proposed policies. For example, a financial deficit of social health insurance programs had increased significantly and caused delayed payments to health facility providers in 2019. One solution to this problem was to adjust the contribution rate for social health insurance. From an actuarial perspective, the adjusted contribution rate was below the rate required to fund the social health insurance program. In 2019, the government introduced a Presidential Regulation No. 75 Year 2019 concerning National Social Health Insurance that included an adjustment to the contribution rate to lessen the gap between the actuarial calculated contribution rate and the imposed contribution rate. However, some stakeholders reacted negatively to the new regulation; even the dialysis patient community filed a lawsuit at the end of 2019 and asked for judicial review by The Supreme Court. The Supreme Court canceled the increase in national social health insurance contributions for the particular member category; in its decision, the Supreme Court referenced Article 34 Paragraphs 1 and 2 of Presidential Regulation No. 75 Year 2019 concerning National Social Health Insurance (Bisnis.com, 2020).

Resources

As stated in SJSN Law, the National Social Security System adopts the social insurance concept, which means the system depends on the benefits' contributions. There is also an element of tax financing, in which the government contributes to the system for the poor and vulnerable (Article 14 of SJSN Law). There has been an ongoing debate on financing the system for all either by mandatory contribution or tax financing. Those in favor of contributions argued that benefits linked to contributions might prevent the idea of

overpromised benefits since it may affect the level of contribution required. The contribution also means the system guarantees benefit payments to people.

On the other hand, those who favor tax financing argued that if a contribution rate is applied to a specific limit of income, higher salary workers will pay less; the burden will be on low-income or poor workers. This group also argues on the need to cover the informal workers through tax financing to join the system. However, informal sector workers range from professional experts doing freelance work and low-income workers with uncertain jobs. Hence the next debate is whether it should be targeted or universally funded. This group believes that the tax-financing approach may force the government to prioritize public policy expenditure hence encourage the government to coordinate social security and other services.

Tax-financing capacity depends upon the government's social policy, fiscal space, and development priority. Heller (2005) defines fiscal space as "the availability of budgetary room that allows a government to provide resources for

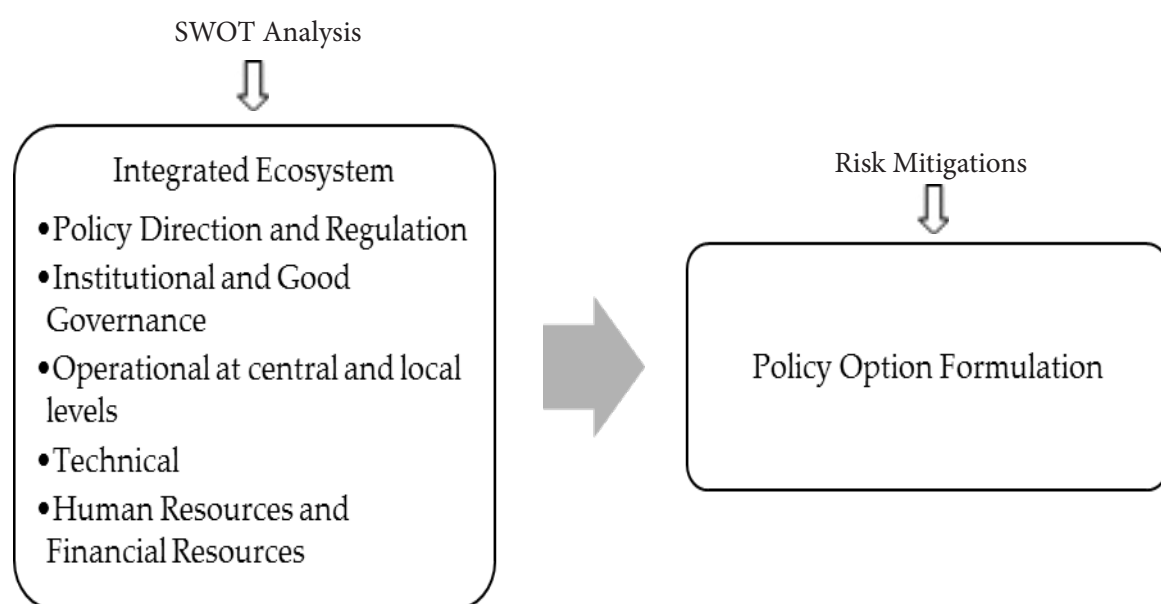
the desired purpose without any prejudice to the sustainability of a government's financial position." With the current fiscal constraint and low tax base in Indonesia, it might be challenging to apply full tax financing unless the government refocuses its budget from any other necessary development priorities. However, this is not easy since Indonesia is also in dire need to provide interventions to avoid the middle-income trap by providing further policy intervention needed.

Therefore, the finding shows that a rational approach should always balance financial and social goals to ensure the sustainability of the national social security programs in the future.

Ecosystem for Social Security Policy Implementation in Dynamic Setting

Discussion on welfare regimes, social security, and the findings concerning social security implementation challenges discussed in this section show that formulating social security policy options in dynamic settings requires a social policy perspective and a strategic management aspect of the social policy implementation to minimize risks. The public's potential positive

Figure 8.
Integrated Ecosystem Model for Policy Option Formulation Process



Source: Authors

and negative reactions need to be identified, and its corresponding risk mitigations need to be prepared during the policy options formulation; so that the policy can be effectively implemented, thus ensuring the government's credibility.

The findings also show that each policy should consider operational aspects at both central, sub-national and local government levels, taking into account the political aspect of the relationship between central and sub-national or local governments.

Considering the magnitude of the impact of the National Social Security System implementation on Indonesia's socio-economic development, an integrated ecosystem model combining social and management perspectives is needed to provide guidance for policymakers in formulating social security policy options.

Conclusion

The findings show that Indonesia's constant evolution of its welfare regime creates uncertainty in social security policy implementation. While Indonesia continues adjusting its social security policy to match its political, social, and economic goals, the policymakers will need to ensure that the social security policy formulation process considers an integrated ecosystem model to minimize unintended risks that may jeopardize the social security system in the future. The integrated ecosystem model provides a new methodology to make the policy option formulation process more effective and provides a "know-how" approach that achieves the technical goal, which is an implementable policy. The findings may contribute to better policy options formulation that can support the effective implementation of the national social security programs in the future.

References

- Aaron, H. J. (1982). *Economic effects of social security*. Brookings Institution Press.
- Anderson, J. E. (2014). *Public Policymaking*. Cengage Learning.
- Arnold, R. D. (1998). The Politics of Reforming Social Security. *Political Science Quarterly*, 113(2), 213–240. <https://doi.org/10.2307/2657854>.
- BeritaSatu.com. (2019, October 15). *RS Paling Menderita Akibat Defisit BPJS Kesehatan*. beritasatu.com. <https://www.beritasatu.com/kesehatan/580043/rs-paling-menderita-akibat-defisit-bpjs-kesehatan>.
- Bisnis.com. (2016, November 1). *Menaker: Pencairan JHT Akan Diubah Menjadi minimal Lima Tahun*. Bisnis.com. <https://finansial.bisnis.com/read/20161101/215/597782/menaker-pencairan-jht-akan-diubah-menjadi-minimal-lima-tahun>.
- Bisnis.com. (2020, March 9). *MA Batalkan Kenaikan Iuran BPJS Kesehatan*. Bisnis.com. <https://kabar24.bisnis.com/read/20200309/15/1210936/ma-batalkan-kenaikan-iuran-bpjs-kesehatan->
- Esping-Andersen, G. (1990). *The Three Worlds of Welfare Capitalism*. Princeton University Press.
- Fossati, D. (2016). Is Indonesian local government accountable to the poor? Evidence from health policy implementation. *Journal of East Asian Studies*, 16(3), 307–330. <https://doi.org/10.1017/jea.2016.17>.
- Heller, P. S., & IMF. Fiscal Affairs Department. (2005). *Understanding fiscal space*. IMF, Fiscal Affairs Dept.
- Hill, M. J., & Varone, F. (2017). *The public policy process*. Routledge, Taylor & Francis Group.
- Holliday, I. (2000). Productivist Welfare Capitalism: Social Policy in East Asia. *Political Studies*, 48(4), 706–723. <https://doi.org/10.1111/1467-9248.00279>.
- Howlett, M., Perl, A., & Ramesh, M. (2009). *Studying public policy: policy cycles & policy subsystems*. Oxford University Press.

- ILO. (2000). *World labour report 2000: income security and social protection in a changing world*. ILO.
- ILO. (2012). *Social security to all: the strategy of the International Labour Organization: building social protection floors and comprehensive social security systems*. ILO.
- John, P. (2012). *Analyzing public policy*. Routledge.
- Kingdon, J. W. (2003). *Agendas, alternatives, and public policies*. Longman Publishing Group.
- Lindblom, C.E. (1959). The Science of "Muddling Through". *Public Administration Review*, 19(2), 79–88. <https://doi.org/10.2307/973677>.
- Mok, K. H., Ku, Y.-W., & Yuda, T. K. (2020). Managing the COVID-19 pandemic crisis and changing welfare regimes. *Journal of Asian Public Policy*, 14(1), 1–12. <https://doi.org/10.1080/17516234.2020.1861722>.
- Murphy, J. (2019). The Historical Development of Indonesian Social Security. *Asian Journal of Social Science*, 47(2), 255–279. <https://doi.org/10.1163/15685314-04702005>.
- Neuman, W. L. (2007). *Basics of social research: qualitative and quantitative approaches*. Allyn & Bacon.
- Pieters, D. (2006). *Social security: an introduction to the basic principles*. Kluwer Law International.
- Pisani, E., Olivier Kok, M., & Nugroho, K. (2016). Indonesia's road to universal health coverage: a political journey. *Health Policy and Planning*, czw120. <https://doi.org/10.1093/heapol/czw120>.
- Rejda, G. E. (2012). *Social insurance and economic security*. M.E. Sharpe.
- Sabatier, P.A., & Jenkins-Smith, H.C. (1993). *Policy change and learning: an advocacy coalition approach*. Westview Press.
- Sabatier, P. A., & Weible, C. M. (2014). *Theories of the policy process*. Westview Press.
- Saunders, M., Lewis, P., & Thornhill, A. (2015). *Research methods for business students*. Prentice Hall.
- Sumarto, M. (2017). Welfare Regime Change in Developing Countries: Evidence from Indonesia. *Social Policy & Administration*, 51(6), 940–959. <https://doi.org/10.1111/spol.12340>.
- Tempo.co. (2018, November 5). *Banyak Perusahaan Bayar Sebagian Jaminan Sosial Ketenagakerjaan*. Tempo.co. <https://bisnis.tempo.co/read/1143189/banyak-perusahaan-bayar-sebagian-jaminan-sosial-ketenagakerjaan>.
- Wood, G., & Gough, I. (2006). A Comparative Welfare Regime Approach to Global Social Policy. *World Development*, 34(10), 1696–1712. <https://doi.org/10.1016/j.worlddev.2006.02.001>.
- Zahariadis, N. (2014). Ambiguity and multiple streams. *Theories of the policy process*, 3(1), 25–59.