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## **New Directions in Social Policy**

*Evidence from the Indonesian Health Insurance Programme*

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prepared for the UNRISD project  
New Directions in Social Policy:  
Alternatives from and for the Global South

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# **Introduction to Working Papers for New Directions in Social Policy: Alternatives from and for the Global South**

This paper is part of a series of outputs from the research project New Directions in Social Policy: Alternatives from and for the Global South.

The project examines the emergence, nature and effectiveness of recent developments in social policy in emerging economies and developing countries. The purpose is to understand whether these are fundamentally new approaches to social policy or welfare systems which could offer alternative solutions to the critical development challenges facing low- and middle-income countries in the twenty-first century. This research aims to shed light on the policy options and choices of emerging/developing countries; how economic, social, political and institutional arrangements can be designed to achieve better social outcomes given the challenges of the contemporary development context; how the values and norms of human rights, equity, sustainability and social justice can be operationalized through “new” social policies; and how experiences, knowledge and learning about innovative approaches can be shared among countries in the South. For further information on the project visit [www.unrisd.org/ndsp](http://www.unrisd.org/ndsp).

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## Acronyms

Asabri	Asuransi Angkatan Bersenjata Republik Indonesia (armed forces social insurance)
ASEAN	Association of Southeast Asian Nations
Askes	Asuransi Kesehatan (public sector health insurance)
AusAID	Australian Aid
BPJS	Badan Penyelenggara Jaminan Sosial
DJSN	Dewan Jaminan Sosial Nasional
GDP	Gross Domestic Product
IMF	International Monetary Fund
Jamsostek	Jaminan Sosial Tenaga Kerja
JKN	Jaminan Kesehatan Nasional (Social Security for Workers)
JPS	Jaring Pengaman Sosial
OPK	Operasi Pasar Khusus (Special Market Operations)
PDM-DKE	Programme Pemberdayaan Daerah dalam Mengatasi Dampak Krisis Ekonomi (community grant programme)
PKSPU-CK	Padat Karya Sektor Pekerjaan Umum Cipta Karya (work programme)
PPLS	Survey for the Social Protection Programme
PSE	Pendataan Sosial Ekonomi (Social-Economic Survey)
SAP	Structural adjustment programme
SEA	Southeast Asian
SJSN	Sistem Jaminan Sosial Nasional
SSN	Social safety net
Taspen	Tabungan Asuransi Pensiun (public sector pension insurance)
UHC	Universal health coverage
UN	United Nations
UNRISD	United Nations Research Institute for Social Development
WHO	World Health Organization

## Abstract

This paper discusses the development of Indonesia's health insurance programme as a lens through which to understand Indonesian social policy development. The Indonesian health insurance programme has experienced considerable development despite fluctuating economic growth and political upheaval. Indonesia initiated its health insurance programme during the Soekarno period (1945-1966) by providing health insurance to formal workers. However, this period of economic austerity saw the programme poorly implemented. As the economy improved under Soeharto (1966-1998), the health insurance programme steadily improved until 1997, when the Asian financial crisis hit Indonesia. The crisis forced the Indonesian government to take a loan from the World Bank, which required the establishment a social safety net for the poor. The safety net programme led to massive development of social protection programmes, which encouraged the government to implement a universal health coverage programme. This paper describes the characteristics of Indonesia's social policy development, analyses its relationship with economic policy, highlights its key drivers and identifies the interests and alliances that shaped Indonesia's social policy.

**Keywords:** social policy, health insurance, economic growth, the World Bank, Asian economic crisis, Indonesia

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# 1. Introduction

At times of economic crisis, social policy institutions are at risk of retrenchment. During such times, the focus shifts from social policy to economic development and the responsibility for the provision of social protection falls to family and community (Gough 2004; Holliday 2000). Since the Asian financial crisis in 1997, there have been important changes in the social policies of East and Southeast Asian (SEA) countries (Abrahamson 2017; Gough 2004). We can observe significant, expansionary moves—or “new directions”—in social policy making in the region, particularly in the field of health systems. Thailand, for instance, initiated a national health insurance scheme soon after the crisis in 2001, which intends to cover the entire population, the Philippines followed in 2004, and Indonesia has shown impressive developments since 2014.

In this paper, we study the development of social policy in Indonesia, with a particular focus on health insurance programmes. By looking at the characteristics, the changes to programmes and schemes, and the influential actors driving this process, we highlight critical steps in advancing social protection in an emerging economy. More concretely, we discuss patterns of social policy development, looking at the link between economic performance and social policy, the impact of the Asian crisis, and the influence of transnational actors in social policy development. On that basis, we contextualize the Indonesian case as part of the SEA region, as well as discussing the continued classification as a “residual” social policy regime, despite significant expansionary steps in the past few years. The residual regime is a welfare model in which the state plays a minimal role in welfare provision (Powell and Barrientos 2011). This can be seen from the magnitude of the welfare expenditure in the percentage of national GDP.

This paper brings together primary data, government documents and previous studies. Primary data was gathered through in-depth interviews with high-level government officers, including the Minister of Health, a former minister in Soeharto administration, a former adjutant of President Soekarno, and officers of the government implementing agency. Interviews with former ministers of the Soeharto administration and the former adjutant of President Soekarno provide valuable insights into the social protection programmes developed during their administrations. To date, there has been limited documentation or studies about the Soekarno period of social policy development.

The structure of this paper is as follows: first, we describe the context within which Indonesian social policy development has taken place. In section 3, we illustrate how Indonesian social policy has evolved since the 1950s. In section 4, we provide an overview and analysis of health care development in Indonesia, followed in section 5, by a discussion of the global actors involved. The final section, section 6, discusses our findings and concludes with some key messages.

## 2. Context of Indonesian Social Policy Development

One of the recurring factors influencing social policy development in Indonesia is the fluctuating economy. This was evident during the Soekarno period (1945-1966) as the economic and political situation was particularly challenging. The country struggled with the impact of Dutch and Japanese colonialization, which did not support economic development. From the 1950s onwards, after the end of colonialization, the Soekarno administration restored the devastated infrastructure (a consequence of the war with the Netherlands), through a policy of intensified industrialization (Booth 1998; Dick 2002). This resulted in economic growth of per capita GDP with an average rate of 3.4 percent

(Suryahadi et al. 2017, Booth 1998). In the 1960s, Soekarno attempted to transform the political-economic system radically towards a socialist system, which took place during the guided democracy period (1959-1965). This, however, accompanied serious inflation and public deficit due to continued military struggles with the Dutch colonial government that was still holding West Papua. Inflation escalated under the austerity policy that followed and the anti-Western measures instituted by Soekarno in the mid-1960s. Eventually, Soekarno withdrew from the United Nations (UN), the International Monetary Fund (IMF) and the World Bank (Thee 2002, Dick 2002), which resulted in the withdrawal of foreign direct investment in Indonesia and raised inflation even further (Grenville 1981).

The change in government in 1966 from Soekarno to Soeharto (1966-1998) heralded a shift in the political economy of Indonesia. Between 1966 and 1970, economic stabilization took priority, with Soeharto opening the Indonesian economy and re-joining the UN, World Bank and IMF (Thee 2002). This resulted in increasing international financial aid, the rescheduling of Indonesia's debt and a World Bank loan in 1968 (Engel 2010). Furthermore, in order to tackle inflation, the Soeharto government tightened its monetary policies (Dick 2002).

Economic growth waxed and waned under Soeharto. Between 1971 and 1981, the Indonesian economy grew prolifically, reaching 7.7 percent GDP growth. Between 1982 and 1986, GDP growth declined to 4 percent, but grew again between 1987 and 1993, reaching 6.7 percent (Hill 2000). The main driving force of GDP growth was the price of oil and industrialization.<sup>1</sup> When the oil price fell in the early 1980s, Indonesian economic performance declined, leading to structural adjustment (supported by the World Bank (Engel 2010)). After the adjustment, Soeharto successfully expanded export-oriented industrialization leading to sustained economic growth. This high economic achievement was accompanied by a success on demographic control policy employing family planning programmes (Utomo and McDonald 2014).

When the Asian financial crisis hit in 1997, both the economic performance and the political situation changed dramatically. The Indonesian economy collapsed and economic indicators declined. Urban workers lost their jobs and the food price soared (Thee 2004, World Bank 2003). Demonstrations in many big cities caused the resignation of Soeharto. A structural adjustment programme (SAP) ensued as a condition of financial bailout package from the World Bank, which reformed Indonesia's political economy. Administrative governance became increasingly decentralized and via price liberalization and privatization, the economy became increasingly market oriented (Sumarto 2017).

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