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# Indonesian Economic Policy Universal Basic Income During the Covid-19 Pandemic for National Defense

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## Abstract

The impact of the COVID-19 pandemic has prompted the government to carry out social assistance programs. The purpose of this study is to analyze Universal Basic Income as a response to the COVID-19 pandemic which can simultaneously strengthen economic defenses in Indonesia as a form of peace dividends. This research uses the literature study method to previous relevant research strategy theory by identifying ends, ways, and means. The results of this study support universal basic income as a policy (ways) to deal with the crisis due to COVID-19 pandemic. UBI can provide an increase in Indonesia's economic growth and empower Indonesian people to be better prepared to face risks, which will lead people to innovate more. UBI can also strengthen the defense economy in Indonesia because by reducing poverty, unemployment and social inequality, the crime rate caused by the economy will decrease, human resources will increase, and community relations will be stronger (ends). The resources (Means) needed to implement UBI in Indonesia are the budget, existing regulations, human resources (HR), and the latest Indonesia's population data.

**Keywords:** Universal Basic Income, COVID-19, Defense Economic, National Defense, Peace Dividend, Indonesia

## 1. Introduction

COVID-19 has a significant impact, especially in the health and economic fields. The government has been trying to address the health crisis and economic downturn caused by COVID-19. This event prompted the government to conduct social assistance programs, including sembako assistance, cash social assistance (BST), Direct Cash Assistance (BLT) village funds, free electricity, and employee salary subsidies(Ihsanuddin, 2020). BST provides funds of Rp 600,000 for April, May, and June 2020, and Rp 300,000 from July 2020 to June 2021(Ihsanuddin, 2020). The main problems in BST during the COVID-19 pandemic were the insufficient amount of aid, the coverage was not wide enough, and the distribution was completely right on target (Asmanto et al., 2020). In nominal terms, BST on average can cover household needs 1-21% of total expenditure (Asmanto et al., 2020).

Indonesia has experienced an increase in the number of poor people according to data from the Central Statistics Agency (BPS), more than 2.7 million people as a result of the COVID-19 pandemic (Wijaya, 2021). In addition,

based on the open unemployment rate in February 2021, 19.10 million people (9.3% of the working age population) were affected by COVID- 19 (Midayanti, 2021). Which consists of unemployment due to Covid-19 (1.62 million people), Non-Work Force (BAK) due to Covid-19 (0.65 million people), temporarily not working due to Covid-19 (1.11 million people), and working population experiencing reduced working hours due to Covid-19 (15.72 million people) (Midayanti, 2021). Teguh Dartanto, an economic researcher at the University of Indonesia stated that the social assistance program carried out by the government is a pain reliever that only relieves and is not a solution to the disease itself (Wijaya, 2021). This pandemic has left many people facing an uncertain future due to their reduced ability to earn and reduced government subsidies (Johnson & Roberto, 2020). Universal Basic Income (UBI) is a government program to provide minimum income to all levels of society without certain conditions (Jamil, 2021). UBI is a “peace dividend” that can solve several problems in Indonesia. One of them is the crime rate, which is based on research that there is a significant influence between poverty and crime rates (Dulkiah & Nurjanah, 2018). UBI as a community welfare program has a relationship with the defense economy, namely to support the universal defense system (Sishanta) (Purwanto et al., 2020). Sishanta itself according to Law No. RI. 34 of 2004 is a system in the defense sector which involves all the people who are members of the existing components. Because Indonesia implements the sishnta system, to support this there must be an increase in the capacity of the Indonesian people so that there is an increase in the welfare of the Indonesian people (Purwanto et al., 2020).

Defense economics focuses on the concept of the welfare state (welfare state) and the purpose of state defense, namely the realization of the socio- economic welfare of the community and national security (Supandi, 2020). Defense economics is a multidisciplinary study that discusses resource allocation, income distribution, economic growth, and political stability which is applied to topics related to defense (Saputro et al., 2021). Based on the above definition, it can be said that UBI as part of the defense economy can realize the socio- economic welfare of the community and national security. Thus, the purpose of this study is to analyze UBI as a response to the problems arising from the COVID- 19 pandemic in the defense economy in Indonesia.

## 2. Research Methods

This study uses a systematic literature study of relevant previous studies. A systematic literature study identifies, selects, and critically assesses research to answer clearly formulated questions (Dewey & Drahota, 2016). This article will use the strategy theory developed by Arthur F. Lykke Jr. According to him, strategy is a process that identifies ends (goals), ways (ways), and means (means) designed to achieve certain goals (Eikmeier, 2007). Ends are the goals or desired outcomes of the strategy. Ways are actions or in other words methods and processes that are carried out to achieve goals. Means are the resources needed to runways (Eikmeier, 2007). Using strategy theory, this article will discuss the government's goals during the COVID-19 pandemic, how to achieve these goals, and the means needed to implement ways to achieve these goals. This article will close with conclusions and suggestions from the author.

## 3. Discussion

The COVID-19 pandemic has been going on from the end of 2019 until now with no certainty when this pandemic will end. This pandemic caused the economic downturn to provide new challenges compared to other recessions that have occurred. First, the need to close many businesses leads to millions of unemployed in a matter of days or weeks, as many industries are directly affected. Second, even for those who can still work uncertainty and government policies such as PSBB and PPKM have made many consumers spend less money, focusing more on saving. Finally, because of the potential for the virus to spread, almost all businesses need to take steps to increase security and reduce physical contact. Restaurants, amusement parks, retail stores, malls, hospitals, and many other places were forced to limit the number of employees and consumers. Without this action, many people are afraid to visit these places even though the PSBB and PPKM have been relaxed (Johnson & Roberto, 2020). Provinces like Bali will feel a bigger impact, considering their main sector is tourism where many people will have physical contact. The pandemic has also resulted in many companies going bankrupt, reducing the number of jobs available when the economy recovers. In addition, the challenges of this pandemic could lead companies to a greater dependence on automation and technology as they provide security and are more reliable in performing basic tasks.

Therefore, the government is trying to overcome the impacts arising from this pandemic. According to the Vice President of Indonesia, K. H. Ma'ruf Amin, the government's main priority is the safety and economic resilience of the community (Kominfo, 2021). In addition, the Minister of National Development Planning (PPN/Bappenas), Suharso Manoarfa, stated four national development goals in 2021 due to the impact of the pandemic, namely; reducing poverty, reducing unemployment, maintaining economic growth, and increasing the human development index (Wahyudi, 2020). So, based on Arthur F. Lykke Jr.'s theory of strategy, these four goals are part of the ends or goals of the strategy process.

### *3.1. Concept of Universal Basic Income*

Universal Basic Income (UBI) has been promoted by people across the political spectrum around the world as a way to replace the complex social welfare bureaucracy of society with a simpler and more efficient model (popular with the right-wing political spectrum), or provide support to every individual. individuals in society without any conditions (popular with the left-wing political spectrum) (Ståhl & MacEachen, 2021). For example, US politician Andrew Yang, encouraged and proposed UBI as one of the main pillars in his presidential campaign. Some countries or cities have even conducted experiments, such as Finland and Ontario (Ståhl & MacEachen, 2021). Meanwhile, India is considering replacing its social welfare policy with UBI (Straubhaar, 2017).

UBI must meet the following three criteria, namely: 1. Distributed to individuals 2. There is no Mean Testing, and 3. There is no requirement to get payment (van Parijs, 2013). Therefore, UBI can be said to have main characteristics, namely: 1. It is universal, which means that it is independent of a person's income level, employment status, work ability, or other indicators commonly used to determine eligibility for social welfare benefits, and 2. Without conditions, which means that there are no demands for program recipients, such as requirements to participate in employment programs or to be active in job search (Ståhl & MacEachen, 2021). UBI is usually associated with reducing poverty or unemployment because it tends to benefit the most vulnerable people in the population compared to the upper middle class (Johnson & Roberto, 2020).

### *3.2. UBI in response to the COVID-19 pandemic (ways)*

UBI can be used as a government response in dealing with the impacts caused by the COVID-19 pandemic. The US philosopher, Karl Widerquist, argues that there are four main reasons for this policy ((Ståhl & MacEachen, 2021):

- a. Serves as a safeguard for unemployed or underemployed people during a crisis,
- b. Serves as a safeguard for people who have to work, essential workers, who often have low wages and can benefit from bonuses that recognize their contribution to society,
- c. Serves as a stimulus for the economy as a whole,
- d. It is simpler than other policies, because it involves fewer transaction costs and less bureaucracy.

UBI will provide guarantees for sources of income and will also provide security for those with higher incomes from being too careful in spending. This will lead to increased consumer confidence and spending (Johnson & Roberto, 2020). In addition, UBI will empower people to be better prepared to face risks in everyday life. If people believe that failure will not lead them to poverty and their minimum necessities of life are guaranteed, then they will view future challenges as opportunities rather than threats. New ideas and innovative solutions can emerge because of new thinking. The behavioral economics of insurance shows that the insured person is willing to accept more risk. And the greater the risk taker in the total population is positively correlated with the macroeconomic performance of a society (Straubhaar, 2017). Thus, the growth of MSMEs in Indonesia can also increase, thereby increasing the number of jobs that result in Indonesia's economic growth due to increased supply and demand. Judging from the explanation above, it can be concluded that the UBI method can assist the government in achieving the desired goals or ends, namely, reducing the number of unemployed, and maintaining economic growth.

Despite the benefits that UBI derives, suspicions against UBI remain. The main criticism in UBI is that minimum income reduces people's incentives to work (Ståhl & MacEachen, 2021). However, based on a previous experiment in Finland, the experiment showed higher life satisfaction, better mental health, and increased trust in the authorities, and no adverse effect on the number of workers (Ståhl & MacEachen, 2021). In Indonesia itself, one of the government programs that are closest to UBI is BLS or Direct Cash Assistance (BLT). Research conducted by Bazzi found that BLT was able to contribute to poverty reduction in both the short and medium-term, and found that BLT recipients had greater participation in the labor market than those who were not categorized as BLT recipients. Moreover, in terms of working hours, BLT recipients are relatively able to maintain productive working hours (Jamil, 2021). Another study conducted by Hossain et al. found that BLT recipient households invested in the development of MSMEs (Jamil, 2021).

### *3.3. UBI as peace dividend*

UBI is a peace dividend in a post-conflict society to face challenges other than poverty, but also to face other complex challenges, namely ensuring peace, justice, and handling conflicts that have existed for a long time (Brown, 2020). Based on the experiments that have been carried out, UBI can strengthen the defense economy in Indonesia by tackling several problems exacerbated by the COVID-19 pandemic, namely:

#### a. Crime

Many studies around the world show a significant relationship between poverty and conflict, as well as poverty and crime. One of them is a study conducted by Dulkiah and Nurjanah in 2018 in the city of Bandung. Coupled with the COVID-19 pandemic, many people have experienced a decline in income and lost their jobs. The Banten Police noted that crime cases that occurred throughout 2020 increased compared to the previous year (Rasyid, 2020). Although UBI will not eliminate crime in Indonesia, it cannot be denied that UBI can reduce crime that arises because of economic needs. Sukawarsini Djelantik, an Indonesian academic, states poverty as the biggest threat to peace and security (Nainggolan, 2016). Usually people commit crimes because they face few or no job prospects, thus turning to illegal ways of earning an income. Crime is a complex problem and is not only based on poverty, but there are other factors such as injustice, community loyalty, and greed. However, UBI can reduce it, so it can focus its defense budget on other crimes and make Indonesia safer.

#### b. Opportunities for the younger generation

Based on research conducted by the SMERU Institute, it was found that children born to poor families tend to have lower incomes when they grow up (Diningrat, 2019). One of the impacts of COVID-19 is the increasing poverty rate in Indonesia. Therefore, the number of children born in poor families will increase. UBI can help these children to improve their grades and keep them in school. UBI can reduce child poverty and provide options that were not previously available to them, such as access to non-formal education, and purchasing productive assets that can change lives for the better for many children. Of course this will increase Human Resources (HR) in Indonesia. Tri Retno Isnaningsih, Head of the Manpower Barenbang of the Ministry of Manpower (Kemnaker) stated that HR excellence is the key to boosting economic growth and national competitiveness (Rea, 2020). This will improve the performance of industries in Indonesia, including the defense industry.

#### c. Stronger community and community relations

Indonesia is the largest archipelagic country and consists of various tribes that have their own characteristics and various regional languages. In addition, Indonesia also has 6 religions recognized by the state. So it can be said that Indonesia has a heterogeneous society, namely people with diverse racial, ethnic, religious and cultural identities. This difference will certainly be colored by conflict. One of them is the conflict between the Free Aceh Movement (GAM) and the Free Papua Organization (OPM). This can also be exacerbated by the COVID-19 pandemic, where social interaction is also limited by the PPKM and PSBB. Although UBI is not fully able to overcome the problem of separatism, it can help to form a stronger society, a higher nature of gotong royong, and give the importance of the community in life. There is evidence from previous research that countries with good universal programs, such as Scandinavian countries, have high levels of trust in governments and others. Compared to countries like the United States with limited universal programs they have low levels of social trust.

UBI can also increase community participation in social activities because it provides a means to volunteer or become more active in politics.

UBI has the ability to improve the human development index in Indonesia because it provides a variety of options that were previously unavailable to poor families and has access to more formal and non-formal education. It is hoped that this will be able to improve the quality of human resources in Indonesia so that it has an impact on increasing the human development index.

### *3.4. Ubi Implementation in Indonesia*

In implementing UBI, the Indonesian government needs resources. Of course, Indonesia's resources and means (means) are limited. Until now, the Ministry of Finance has allocated a budget for handling Covid-19 for MSME companies, corporate financing and business incentives. However, the budget strength that has been prepared by the government in the context of handling Covid 19 is not sufficient in terms of numbers (Saputro, 2021). Some of the resources needed by the government to implement UBI in Indonesia are:

- a. The budget, according to the Fiscal Policy Agency of the Ministry of Finance of Indonesia, is estimated to be around Rp. 172 Trillion or around 1.1% of nominal GDP in 2019. Until now, the portion of the social budget in Indonesia is only around 0.7% of GDP for 5 years. the last one (United Nation of Development Program & Fiscal Policy Office, 2020). So that if you implement UBI, there will be an increase of almost double the current budget.
- b. Existing regulations, UBI implementation in Indonesia can be linked to existing laws in Indonesia. Article 34 of the 1945 Constitution mandates the state's obligation to care for the poor and neglected children. This regulation can be used as a legal basis for the implementation of UBI. In addition there are other laws, such as Law no. 11 of 2009 concerning social welfare and Law no. 40 of 2004 on the social security system. These two laws can become the legal umbrella for UBI in Indonesia.
- c. Human Resources (HR), it is necessary to consider which institution will be responsible for implementing the UBI program. Until now, the implementation of social programs in Indonesia has been divided into various institutions such as the Social Security Administering Agency (BPJS) and the Ministry of Social Affairs. With UBI, there is no longer any need for separation of social programs, therefore there is a possibility that an institution will lose its role, or there will be dissolution of the institution.
- d. Data, in order for this implementation to be successful, of course Indonesia needs up to date data from all the people of the Republic of Indonesia. The data required is the name, address, and bank account number.

## **4. Conclusion**

In dealing with the COVID-19 pandemic, the government must be able to cope with the impacts arising from this pandemic. According to the Minister of National Development Planning (PPN/Bappenas), Suharso Manoarfa, there are four national development goals (ends) in 2021 due to the impact of the pandemic, namely: reducing poverty, reducing unemployment, maintaining economic growth, and increasing the human development index (Wahyudi, 2010). 2020). In order to achieve these ends, the method (ways) that can be used by the government is Universal Basic Income (UBI). UBI as a government welfare program can provide guarantees for sources of income and will also provide security for those with higher incomes. This will increase economic growth due to increased demand. Reducing the risks faced by society economically can also increase innovation so that it can increase a person's desire to become an entrepreneur. This will increase job opportunities. UBI itself as a whole can reduce the level of poverty in Indonesia. UBI can also reduce crime that arises as a result of economic needs, provide opportunities for the younger generation, and strengthen community relations in Indonesia.

Implementation at UBI in Indonesia requires various resources or facilities (means), including: 1. an estimated budget of around IDR 172 trillion or around 1.1% of nominal GDP in 2019, 2. existing regulations based on article 34 of the Law 1945 Constitution, Law no. 11 of 2009, and Law no. 40 of 2004, 3. Human Resources (HR) owned by the government 4. Indonesian population data that is up to date.

## 5. Suggestions

It is known that Universal Basic Income has the ability to cope with the impact of the COVID-19 pandemic in theory. To find out the effect of Universal Basic Income empirically, it is necessary to conduct a trial or experiment on the Indonesian people. In addition, it is necessary to think about how the government can finance the UBI program, because it is known that the social budget in Indonesia is not sufficient for UBI costs. UBI is an area that is still immature, so further research is needed.

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