

Universal Basic Income in the Defense Economy during the Covid-19 Pandemic

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Abstract

The impact of the COVID-19 pandemic 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 the defense economy in Indonesia as a form of peace dividend. This study uses a systematic literature study method of relevant previous research and strategy theory by identifying ends, ways, and means. The results of this study support universal basic income as a government policy (way) to deal with crises due to the COVID-19 pandemic because UBI can provide an increase in Indonesia's economic growth and empower Indonesian people to be better prepared to face risks, which will encourage people to dare to innovate. UBI can also strengthen the defense economy in Indonesia because by reducing the poverty rate, unemployment rate, and social inequality, the crime rate caused by the economy will decrease, increase in human resources, stronger community relations (ends). The means (means) needed to implement UBI in Indonesia are the budget, existing regulations, human resources (HR), and the latest data on Indonesian society.

Keywords: Universal Basic Income, COVID-19, Defense Economics, Peace Dividend



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INTRODUCTION

COVID-19 has had a significant impact, especially in the health and economic sectors. The government has been trying to overcome the health crisis and economic downturn caused by COVID-19. This event prompted the government to carry out social assistance programs, including basic food assistance, cash social assistance (BST), Village Fund Direct Cash Assistance (BLT), free electricity, and employee salary subsidies (Ihsanuddin, 2020). BST provides funds of IDR 600,000 for April, May and June 2020, and IDR 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 assistance, the coverage was not wide enough, and the distribution was not fully on target (Asmanto et al., 2020). Nominally, the average BST can cover household needs of 1-21% of total expenditure (Asmanto et al., 2020).

Taken from data from the Central Statistics Agency (BPS), Indonesia has experienced an increase in the number of poor people by more than 2.7 million as a result of the COVID-19 pandemic (Wijaya, 2021). In addition, based on the open unemployment rate in February 2021, there were 19.10 million people (9.3% of the working age population) who were affected by COVID-19 (Midayanti, 2021). Which consists of unemployed 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 who experienced reduced working hours due to Covid-19 (15.72 million people) (Midayanti, 2021). Teguh Dartanto, an economics 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 income and reduced subsidies from the government (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 becomes a "peace dividend" that can overcome several problems in Indonesia. One of them is the crime rate, which based on research there is a significant influence between poverty and crime rates (Dulkiah & Nurjanah, 2018). UBI as a public welfare program has a relationship with the defense economy, namely to support the universal defense system (sishanta) (Purwanto et al., 2020). The definition of sishanta itself is based on RI Law no. 34 of 2004 is a system in the defense sector which involves all the people who are members of the existing components. Because Indonesia applies the sishanta system, then 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 a welfare state and the goals of national defense, namely the realization of social 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 applied to topics related to defense (Saputro et al., 2021). Based on the definition above, 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 research is to analyze UBI as a response to the problems that arise as a result of the COVID-19 pandemic in the defense economy in Indonesia.

RESEARCH METHODS

This study uses a systematic literature study of relevant previous research. Systematic literature studies identify, select, and critically assess research to answer clearly formulated questions (Dewey & Drahotka, 2016). This article will use strategy theory developed by Arthur F. Lykke Jr., where strategy is a process that identifies ends, ways, and means designed to achieve certain goals (Eikmeier, 2007). Ends are the goals or desired results 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 run the way (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.

RESEARCH RESULTS AND DISCUSSION

Research Result

The COVID-19 pandemic has lasted 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 led to millions of unemployed days or weeks, as many industries were directly affected. Second, even for those who can still work, uncertainty and government policies such as PSBB and PPKM make many consumers spend less money, by focusing more on saving. Finally, because of the potential for the spread of viruses, almost all businesses need to take steps to increase security and reduce physical contact. Restaurants, theme parks, retail stores, malls, hospitals and other places have had to limit the number of employees and customers. 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 that 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 as the economy recovers. In addition, the challenges of this pandemic may lead companies to a greater dependence on automation and technology as they provide security and more reliability in carrying out basic tasks.

Therefore, the government is trying to overcome the impact arising from this pandemic. The Vice President of Indonesia, K. H. Ma'ruf Amin, explained that 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 Manoaarfa, stated four national development goals for 2021 as a result of the impact of the pandemic, namely: reducing the poverty rate, reducing the number of unemployed, maintaining economic growth, and increasing the human development index (Wahyudi, 2020). So, based on Arthur F. Lykke Jr.'s strategy theory, the four objectives are the ends or objectives of the strategy process.

Discussion

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 complicated societal social welfare bureaucracies with simpler, more efficient models (popular with the far-right political spectrum), or provide support to any individuals in society without 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. Several countries or cities have even carried out 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 are no requirements to get payment (van Parijs, 2013). Therefore, UBI can be said to have the following main characteristics: 1. It is universal, which means 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, meaning that there are no demands on 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 in the population more than the upper middle class (Johnson & Roberto, 2020).

UBI as a Response to the COVID-19 Pandemic (Ways)

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

1. Serve as a safeguard for unemployed or underemployed people during a crisis,
2. Serve 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,
3. Serve as a stimulus for the economy as a whole,
4. Simpler than other policies, as it involves fewer transaction costs and less bureaucracy.

UBI will guarantee a source of income and will also provide security for those who have a higher income so they are not 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 that their minimum subsistence is 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 suggests that insured people are willing to accept more risks. 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 which 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 advantages derived from UBI, suspicions about UBI persist. The main criticism in UBI is that minimum income reduces people's incentives to work (Ståhl & MacEachen, 2021). However, based on previous experiments in Finland, experiments showed higher life satisfaction, better mental health, and increased trust in the authorities, and no adverse effects on the number of workers (Ståhl & MacEachen, 2021). In Indonesia itself, one of the government programs that is closest to UBI is BLS or Direct Cash Assistance (BLT). Research conducted by Bazzi found that BLT was able to contribute to reducing poverty both in 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 MSME development (Jamil, 2021).

UBI as a peace dividend

UBI as a peace dividend in a post-conflict society is to face challenges other than poverty, but also 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 overcoming several problems exacerbated by the COVID-19 pandemic, namely:

1. Evil

Many studies around the world show a significant relationship between poverty and conflict, and poverty and crime. One of them is research conducted by Dulkiah and Nurjanah in 2018 in the city of Bandung. Coupled with the COVID-19 pandemic, many people have experienced decreased income and lost their jobs. The Banten Regional 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 crimes that arise due to economic needs. Sukawarsini Djelantik, an Indonesian academic, stated that poverty is the biggest threat to peace and security (Nainggolan, 2016). Usually people commit crimes because they face little or no job prospects, so they turn to illegal ways to earn 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 that it can focus the defense budget on other crimes and make Indonesia safer.

2. Opportunity for the Younger Generation

Based on research conducted by the SMERU Institute, it was found that children born to poor families tend to earn less when they are adults (Diningrat, 2019). One of the impacts of COVID-19 is the increase in the poverty rate in Indonesia. Therefore, children born in poor

families will also increase. UBI can help these children to improve their grades and keep them in school. UBI can reduce child poverty and provide various options that were not previously available to them, such as access to non-formal education, and buying productive assets so that it can change lives for the better for many children. Of course this will increase Human Resources (HR) in Indonesia. Tri Retno Isnaningsih, Head of Barenbang Ketenagakerjaan 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.

3. Stronger Community and Community Relations

Indonesia is the largest archipelagic country and it consists of various tribes which have their own characteristics and various regional languages. In addition, Indonesia also has 6 religions that are recognized by the state. So that 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 limited by PPKM and PSBB. Although UBI cannot completely overcome the problem of separatism, it can help to form a stronger society, higher mutual cooperation, and gives the importance of society in life. There is evidence from past research that countries with good universal programs, such as Scandinavian countries, have high levels of trust in government and other people. Compared to a country like the United States with limited universal programs it has a low level of social trust. UBI can also increase community participation in social activities because it provides a means to volunteer or become more active in the political field.

UBI has the ability to increase the human development index in Indonesia because it provides various choices that were not previously available for 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 will have an impact on increasing the human development index.

Implementation of UBI in Indonesia

In carrying out the implementation of UBI, the Indonesian government needs resources. Of course, the resources and facilities (means) owned by Indonesia 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 the government has prepared in the context of handling Covid 19 has not been sufficient in terms of numbers (Saputro, 2021). Some of the resources needed by the government to implement UBI in Indonesia are:

1. The budget, according to the Fiscal Policy Agency of the Indonesian Ministry of Finance, is estimated to be around IDR 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 last (United Nation of Development Program & Fiscal Policy Office, 2020). So if you will implement UBI there will be an increase of almost two times from the current budget.
2. Existing regulations, the implementation of UBI in Indonesia can be linked to existing laws in Indonesia. Based on article 34 of the 1945 Constitution, it mandates the state's obligation to look after 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 concerning the social security system. These two laws can become the legal umbrella for UBI in Indonesia.

3. 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 is divided into various institutions such as the Social Security Administration Agency (BPJS) and social ministries. With UBI there is no need for social program separation anymore, therefore there is a possibility that an institution will lose its role, or there will be a fusion of institutions.
4. Data, 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 needed is name, address, and bank account number.

CONCLUSION

In facing the COVID-19 pandemic, the government must be able to overcome the impacts arising from this pandemic. The Minister of National Development Planning (PPN/Bappenas), Suharso Manuara, stated that there are four national development goals (ends) for 2021 as a result of the impact of the pandemic, namely: reducing the poverty rate, reducing the number of unemployed, maintaining economic growth, and increasing the human development index (Wahyudi, 2020). In order to achieve these ends, the methods (ways) that can be used by the government are Universal Basic Income (UBI). UBI as a government welfare program can provide guarantees for sources of income and will also provide security for those who have 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 one's desire to become an entrepreneur. So it will increase employment. UBI itself as a whole can reduce the level of poverty in Indonesia. UBI can also reduce crimes that arise 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 means (means), including: 1. a budget estimated at 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. Up to date Indonesian population data.

It is known that Universal Basic Income has the ability to theoretically cope with the impact of the COVID-19 pandemic. To find out the effect of Universal Basic Income empirically, it is necessary to conduct trials or experiments on Indonesian society. Apart from that, it is necessary to think about how the government can finance this 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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