NTA as Evidence Base Policy Formulation for Anticipating Demographic Change

Indonesia
Socio-Economic Condition

1. Total population about 237.6 million (2010 Census)
2. GDP growth is high of about 6-6.5% annually
3. Unemployment rate on August 2014 about 5.94%
4. Aging Population (aged 60 years and over) about 18 million (7.6%), and more than half of them still working
5. About 60% of workers are engaged in informal works and mostly are not covered by social protection programs
6. Most of unpaid family workers are women about 13 million (73%)
7. Poverty rate declines, but in 2013 still 11.3% (about 28 million) of population living below the poverty line
Demographic Issues

Post-2015 Five Demographic Issues in Indonesia:

- continuing large number of population with a bulk of productive age people
- emerging ageing population
- urbanization
- complex population mobility and internal migration
- High number of maternal deaths
Today Indonesia’s population is in its favorable pace for economic development.

- The population was 237.6 million as of the 2010, has doubled only in about 40 years.
- Indonesia’s current population structure:
  - 28% population aged below 15.
  - 64% working age population (15-64 yo)
  - 8% elderly population

Source: based on the 2010 population census
Demographic Window of Opportunity (DWO): results of fast and then slow decline in fertility rates

The Percentage of Working-age Population will decline after 2020

The Number of Working Age Population will decline after 2030

EMERGING AGEING POPULATION
After 2015, the number and percentage of population aged 60 and above will accelerate

Source: compiled and drawn from the UN (2011)
“As a population goes through its demographic transition (from high to low vital rates) the population growth rate will change, and so will the proportion of the population living in the working ages”
Indonesia’s Changing Dependency Ratio, 1950 to 2035

Harnessing demographic dividend – life cycle approach

Source: Eloundou-Enyegue (2013)
“It has always been understood by proponents of the Demographic Dividend concept that certain other conditions need to be satisfied if favorable dependency ratios are to translate into economic benefits”

Among other things:
- Adequate numbers of those in the working ages need to be productively employed;
- Labour markets need to be sufficiently flexible to absorb more workers;
- In an age of increasing globalization, workers need to be internationally competitive; and
- There needs to be adequate investment.

Nevertheless there are some exciting innovations in the most recent research looking at the impact of changing population age structure on economic and social development:

- National Transfer Accounts and economic support ratios; and
- Household savings and a second demographic dividend?
Labor income was highest at age 51, with average income of IDR 800,000 per person per year.

Then, the labor income gradually declined until reaching zero the age of 99.
Earning employed become the main source of labor income. Self-employed labor income has decreasing when population got older.
Distribution of Education and Health Expenditure by Age

**EDUCATION EXPENDITURE BY AGE**

Private Expenditure for Education For Indonesian population increasing From the age 4 where the kids enter pre-School. Then it reach the highest at age 17 When they enroll college/university level

**HEALTH EXPENDITURE BY AGE**
Starting age 5, the consumption increased until age 17, and then decline, rosed again in age 56
Public-Private Education Consumption

UNIT COST (IDR):
- Pre School: 0
- Elementary: 360,000
- Junior High School: 550,000
- Senior High School: 780,000
- University: 1,200,000

Annual Per-capita Education Expenditure

Private education consumption
Public education consumption
Distribution of Total Consumption (Public and Private) by Age
Value Per Capita
Aggregate Life Cycle Defisit

- AGGREGATE INCOME
- AGGREGATE CONSUMPTION
Indonesian population had an income surplus during the ages of 21-65.

The rest age groups (0-20 and 66+), on the other hand, had consumption expenditure higher than their labor income and incurred a deficit.
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THANK YOU