NTA as Evidence Base Policy Formulation for Anticipating Demographic Change
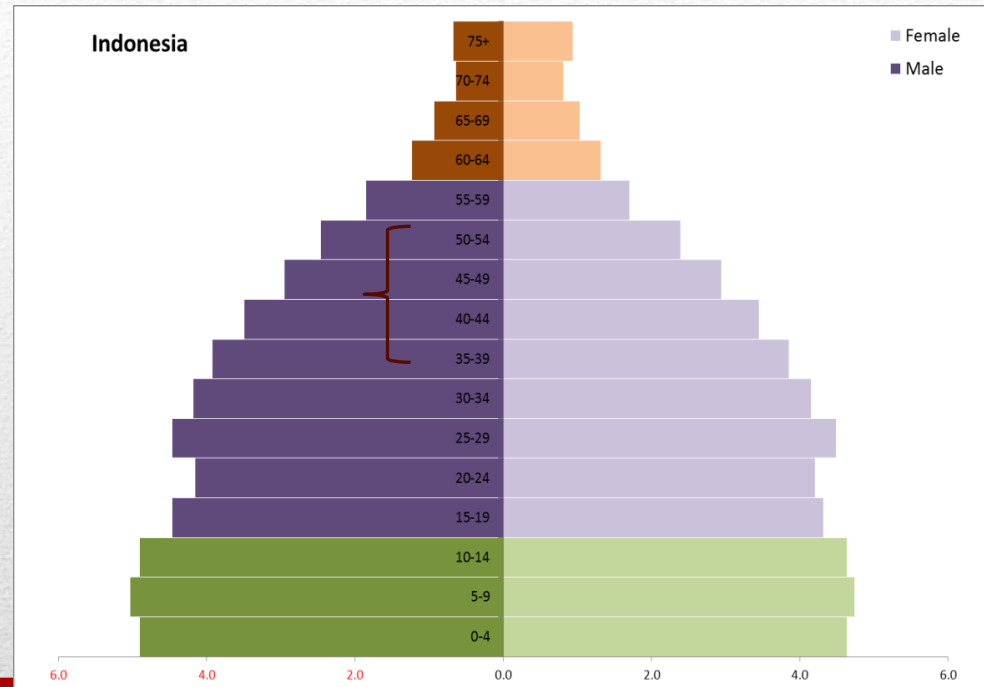
Indonesia

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

2

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

- 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

Indonesia in 2010

Today Indonesia's population is in its favorable pace for economic development

4

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

0-14
15-59
60+
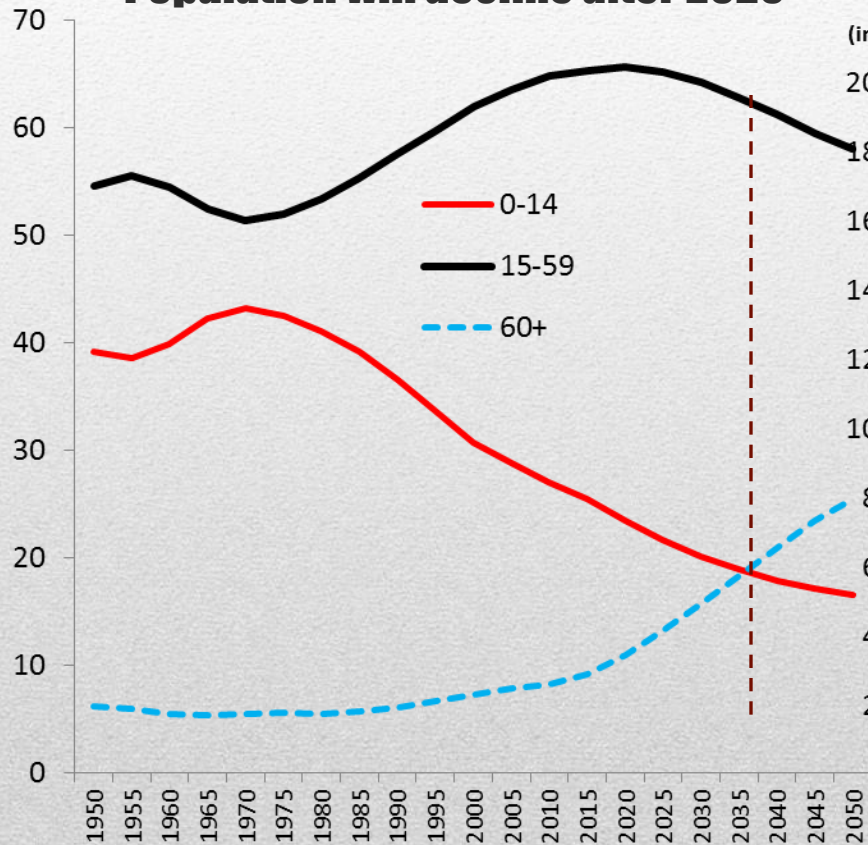
## The Number of Working Age Population will decline after 2030

(in thousands)

0-14
15-59
60+
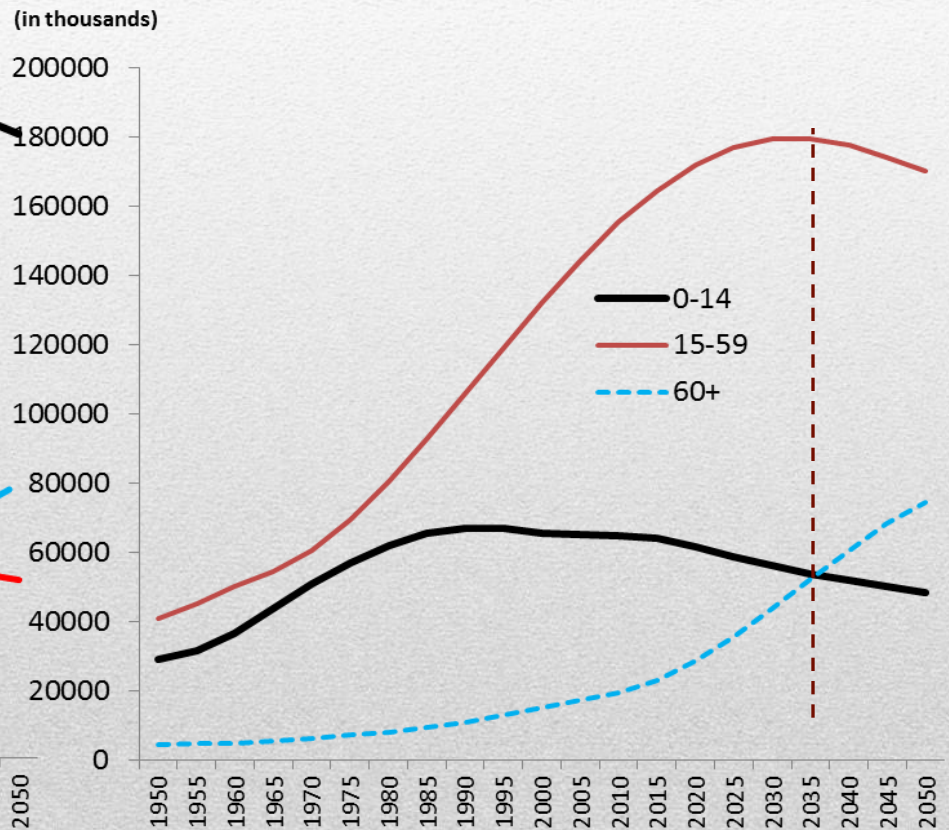
EMERGING AGEING POPULATION

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**"
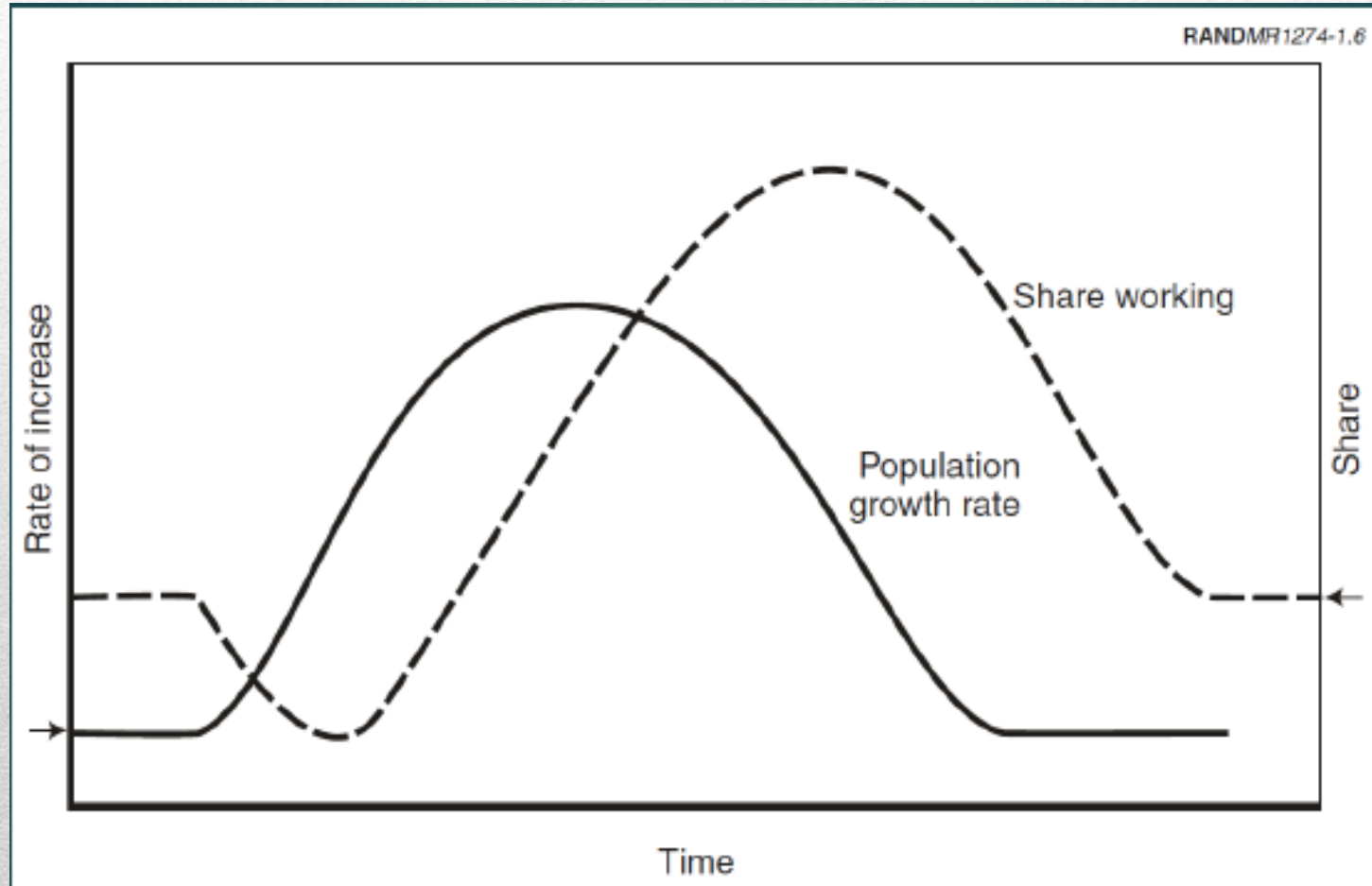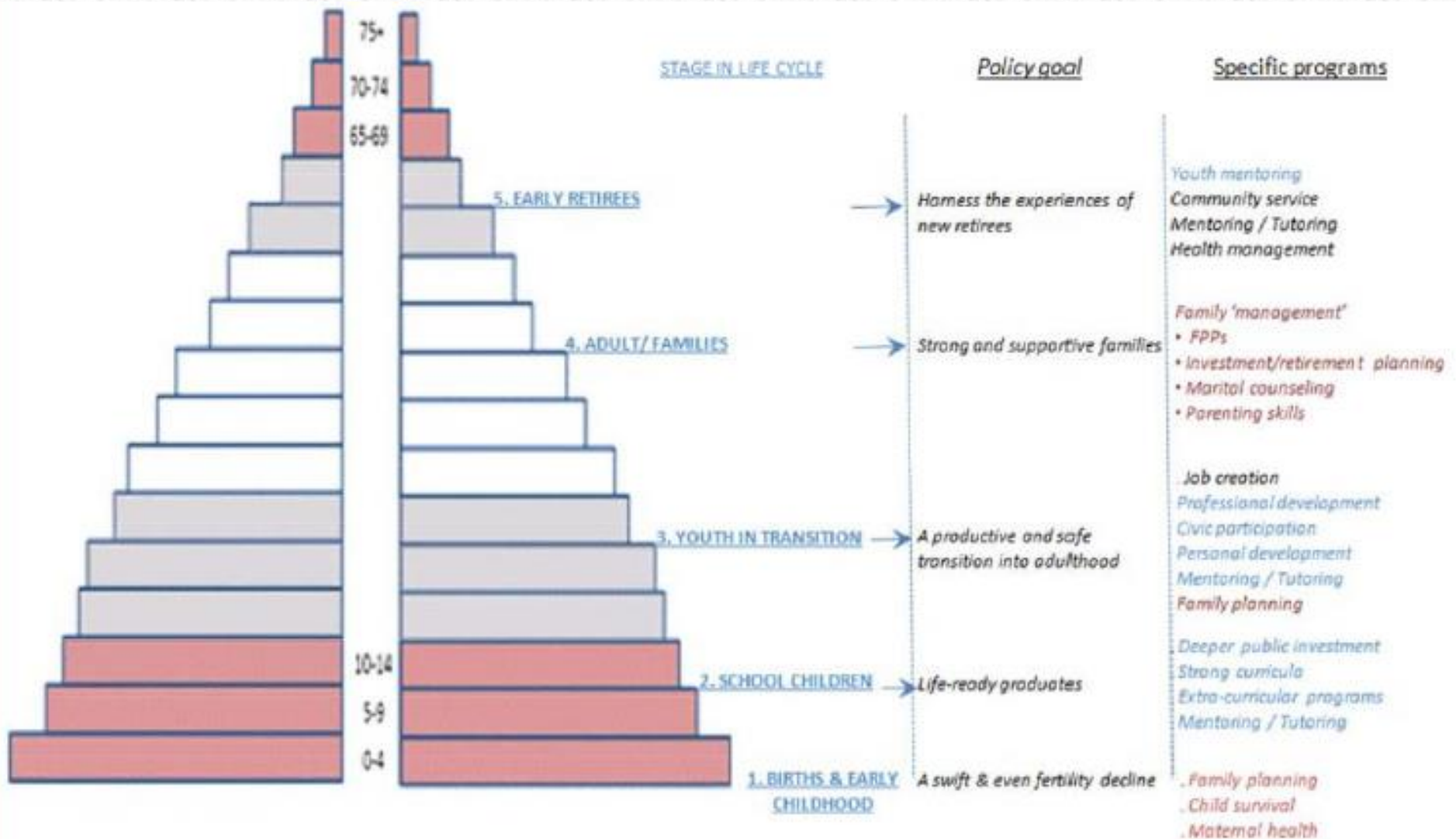
Indonesia's Changing Dependency Ratio, 1950 to 2035
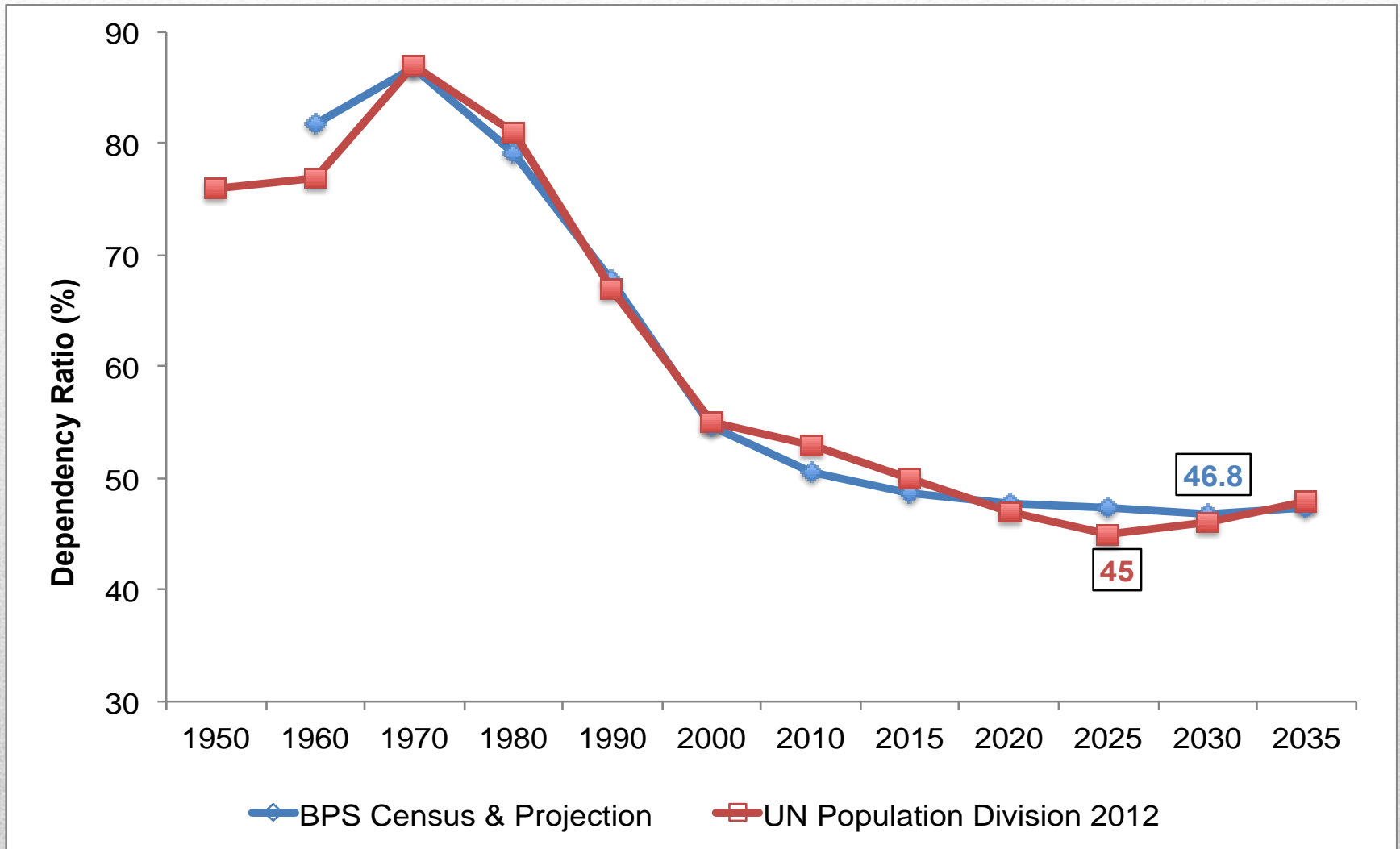
Source: Statistics Indonesia (1971-2010); Bappenas, Statistics Indonesia, and UNFPA (2013); UN Pop. Div. (2012).

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:
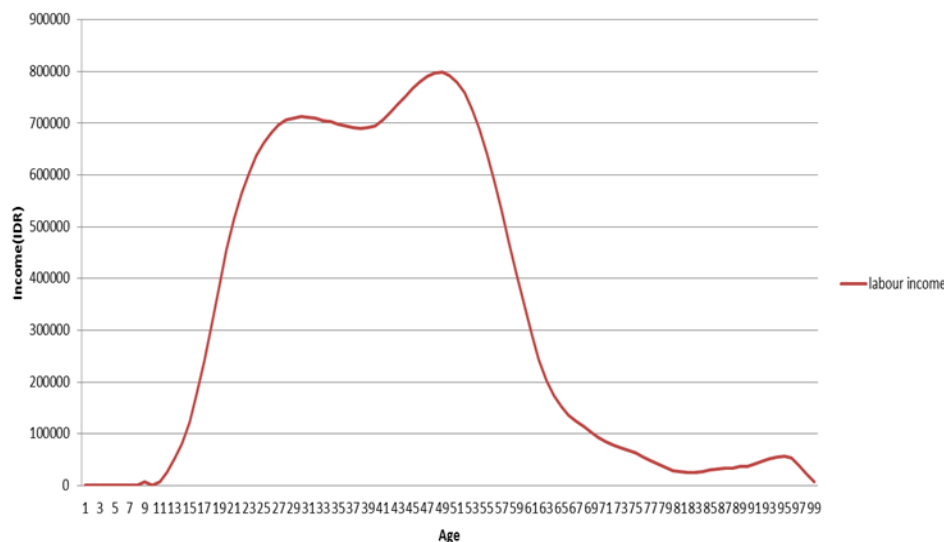
- ➢ National Transfer Accounts and economic support ratios; and
- ➢ Household savings and a second demographic dividend?

Distribution of population and labor income by age, Indonesia National Socio-Economic Survey (Susenas 2013)

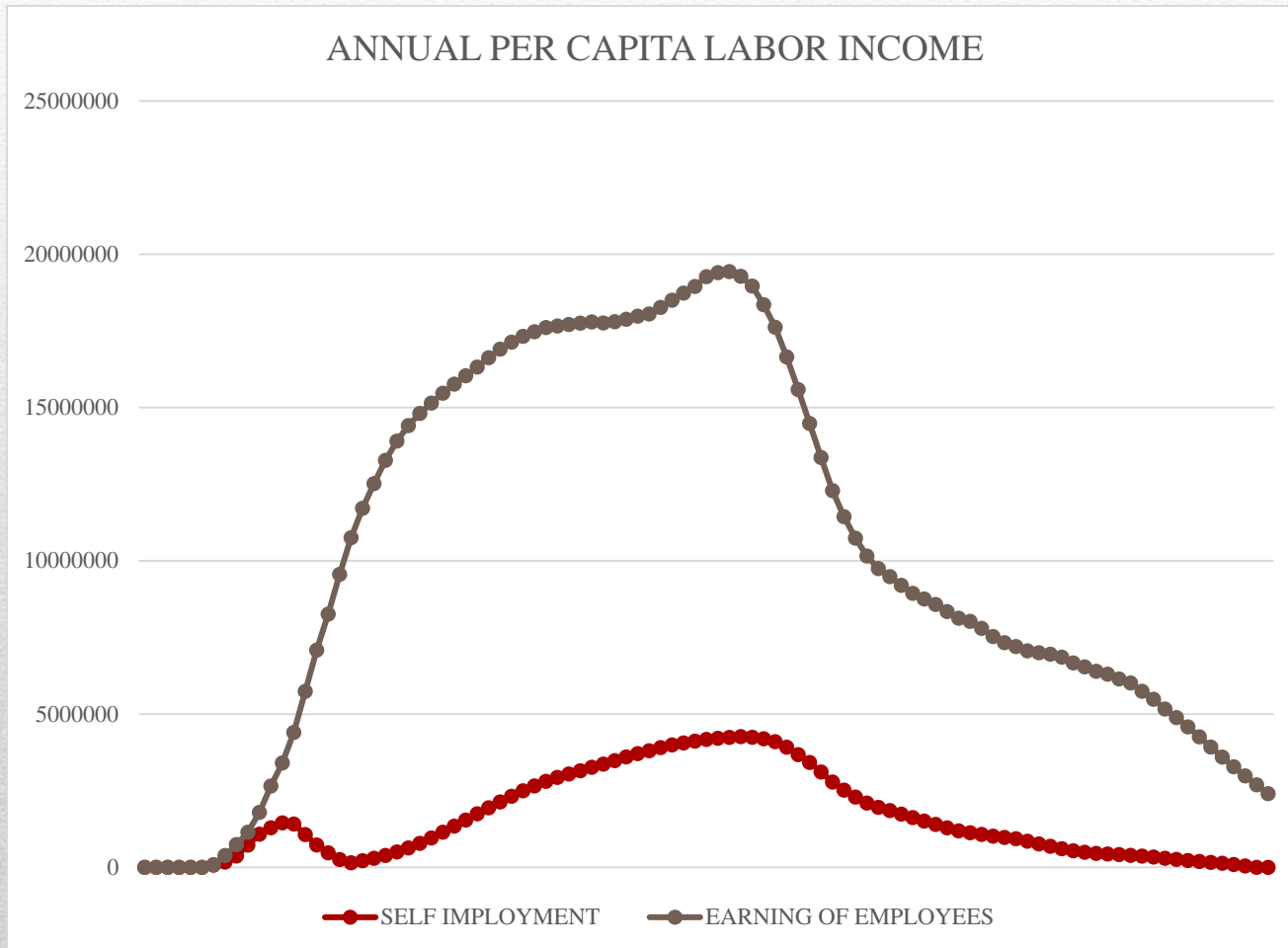## POPULATION DISTRIBUTION BY AGE
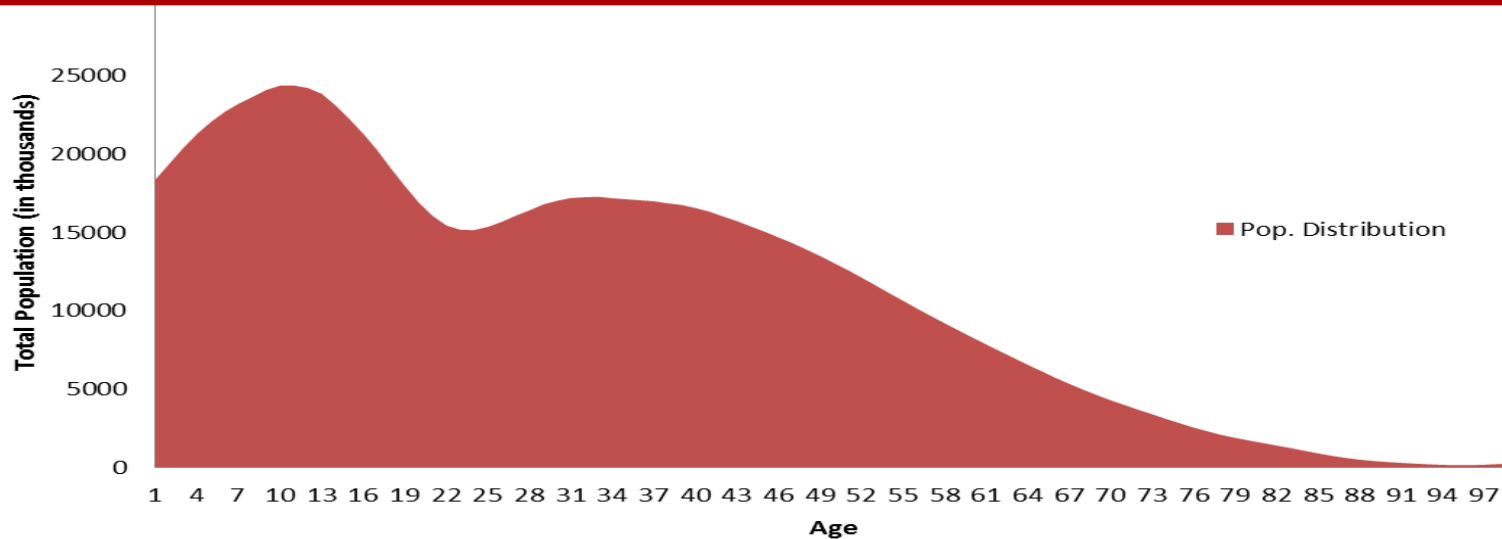
LABOR INCOME BY AGE

- Labor income was highest at age 51, with average income of IDR 800.000 per person per year.
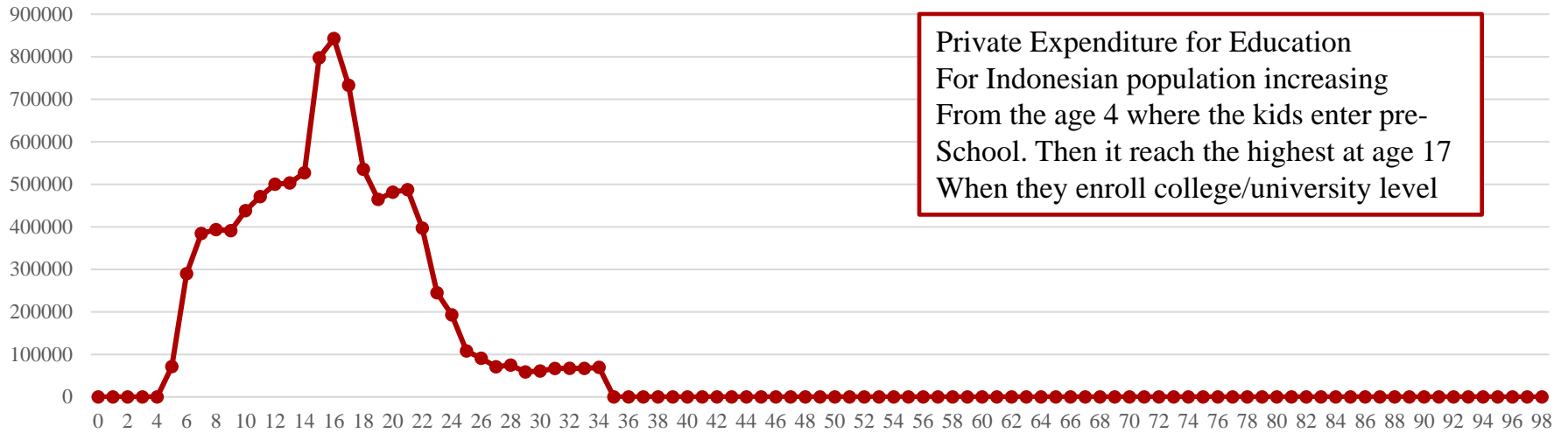- Then, the labor income gradually declined until reaching zero the age of 99

Distribution of Labor Income by Age
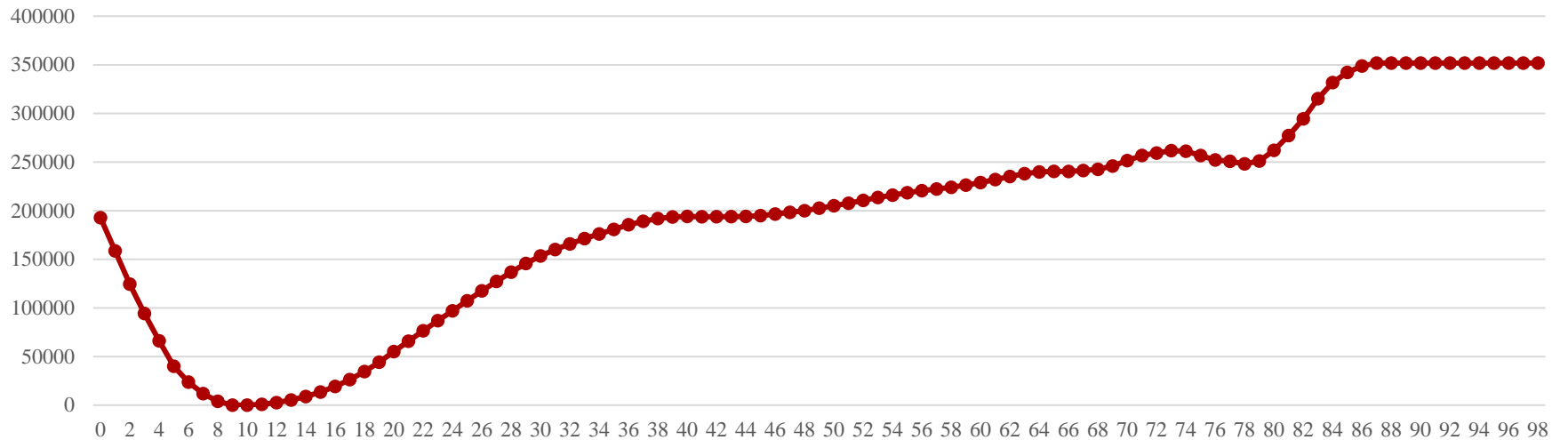

ANNUAL PER CAPITA LABOR INCOME

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
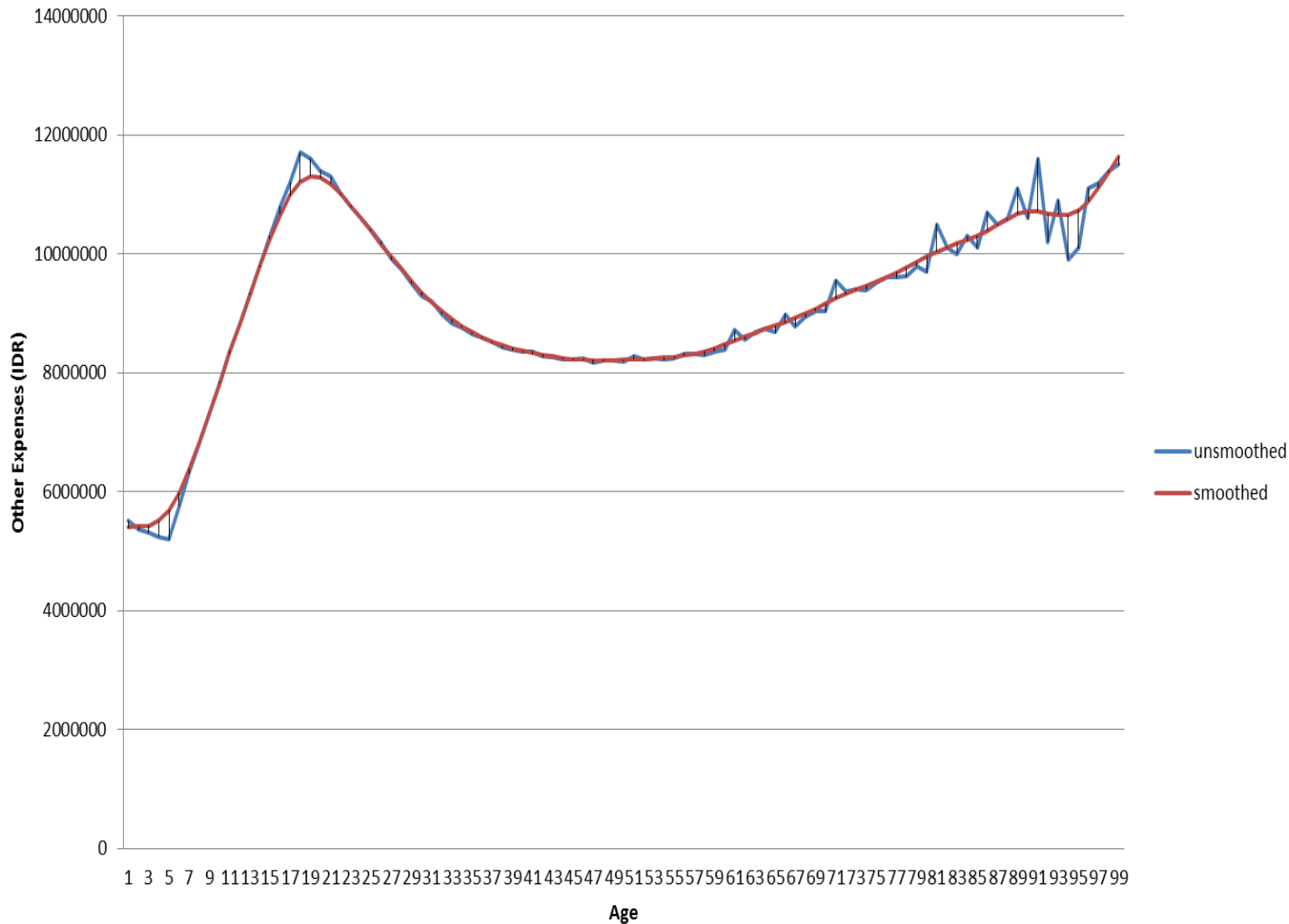
EDUCATION EXPENDITURE BY AGE

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

Distribution of Consumption by age,
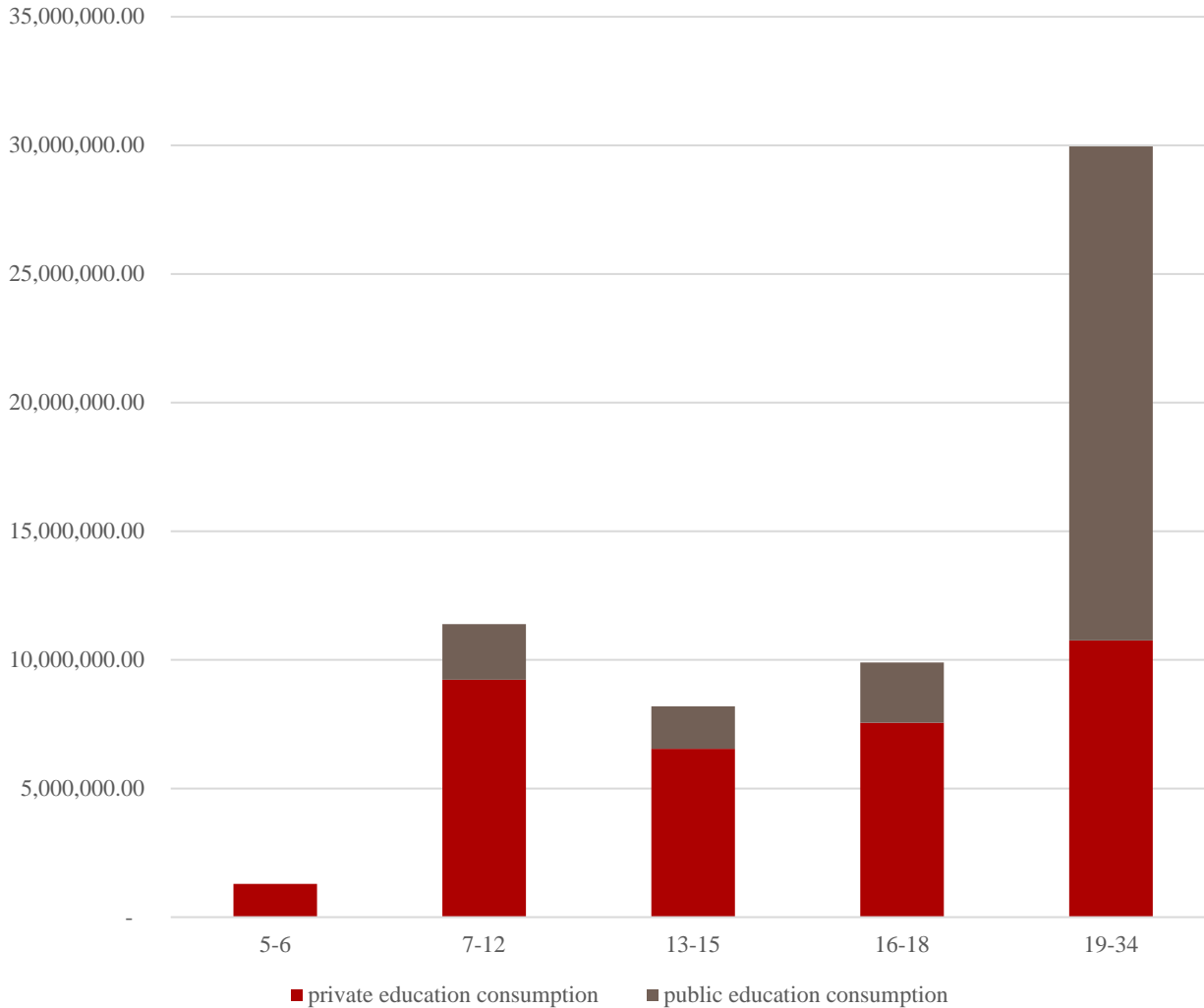## Indonesia National Socio Economic Survey

Other Consumption

Starting age 5, the consumption increased until age 17, and then decline, rosed again in age 56

Public-Private Education Consumption

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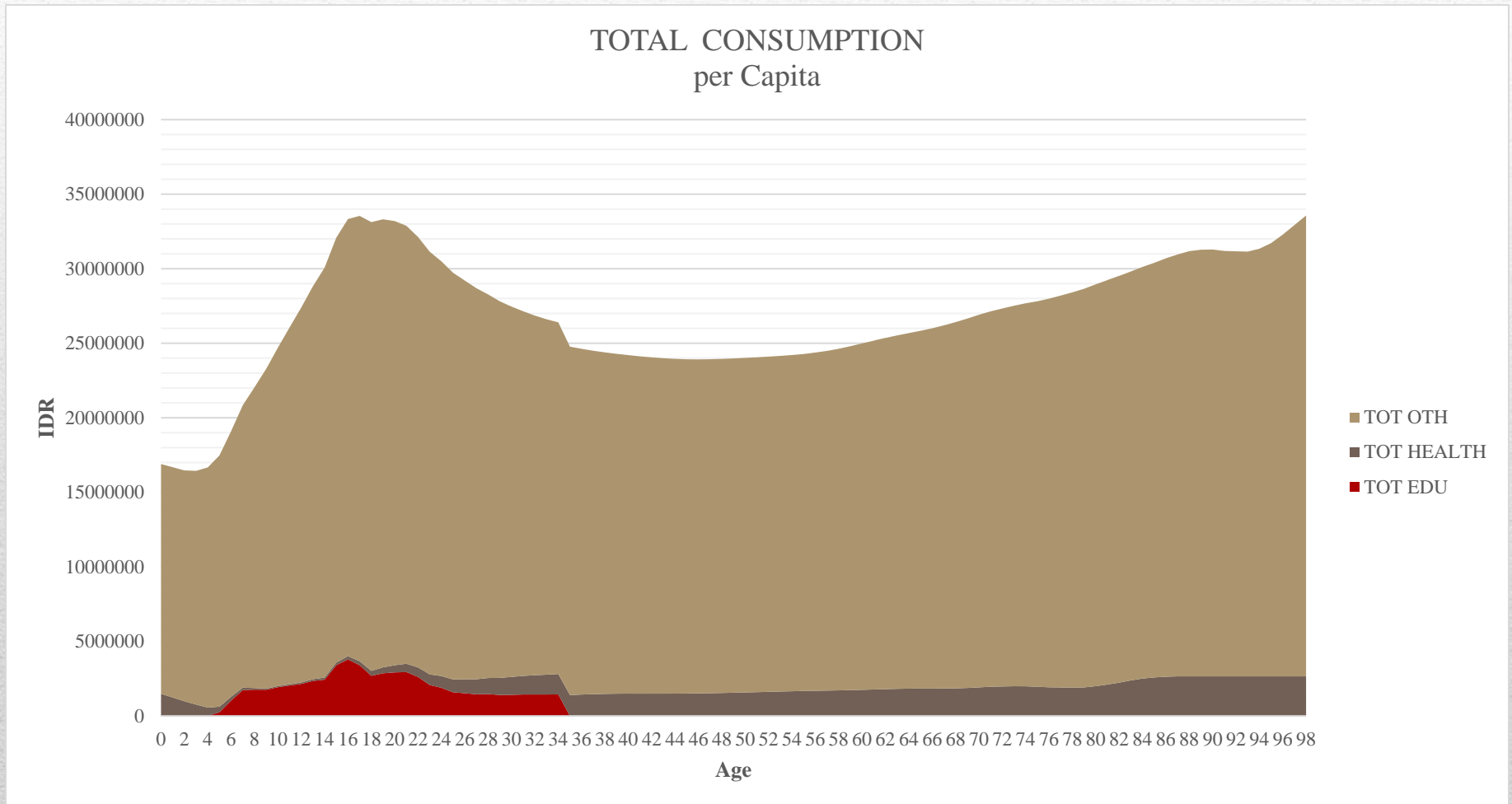
UNIT COST (IDR):
Pre School: 0
Elementary: 360,000
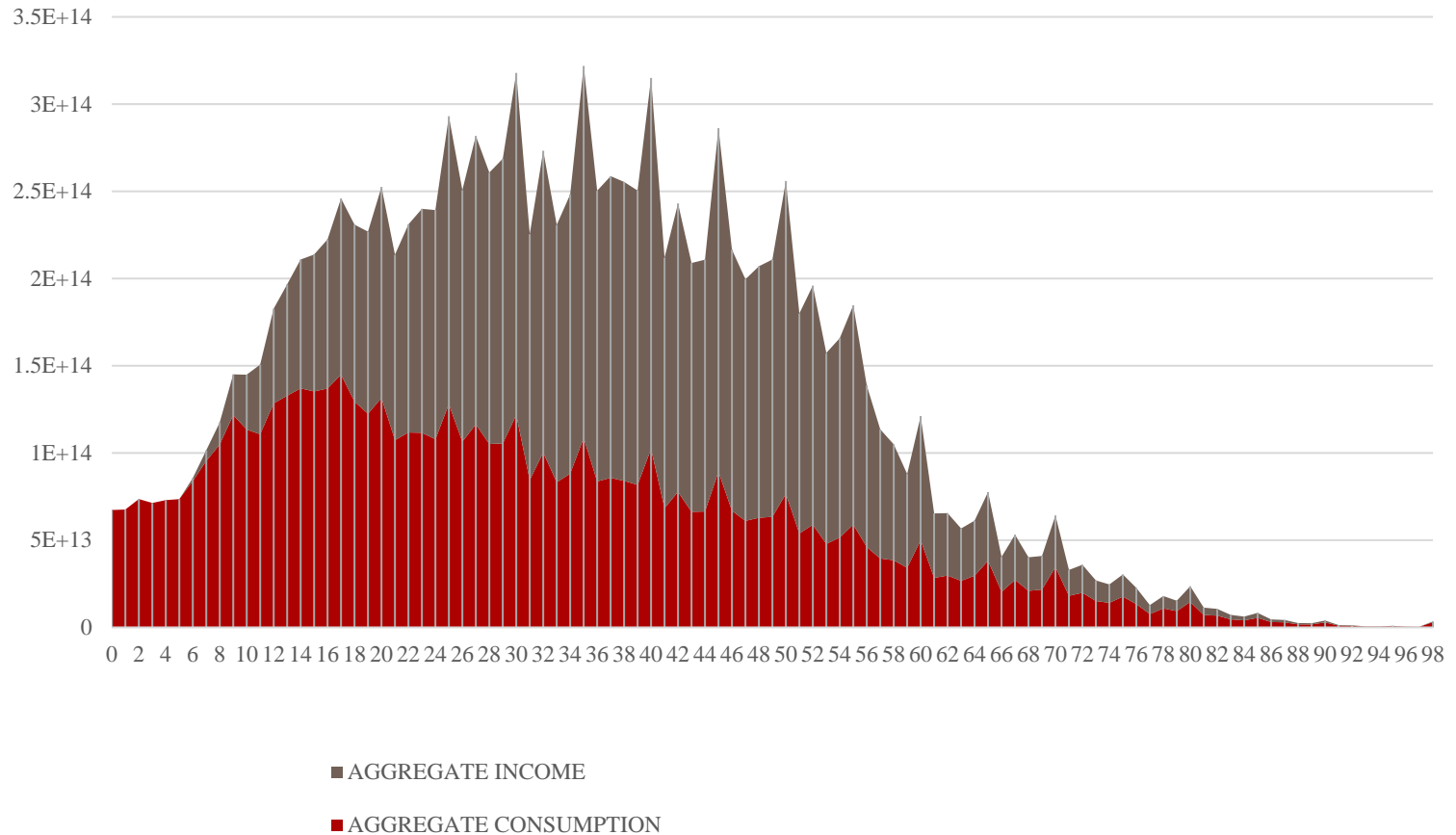Junior High School: 550,000
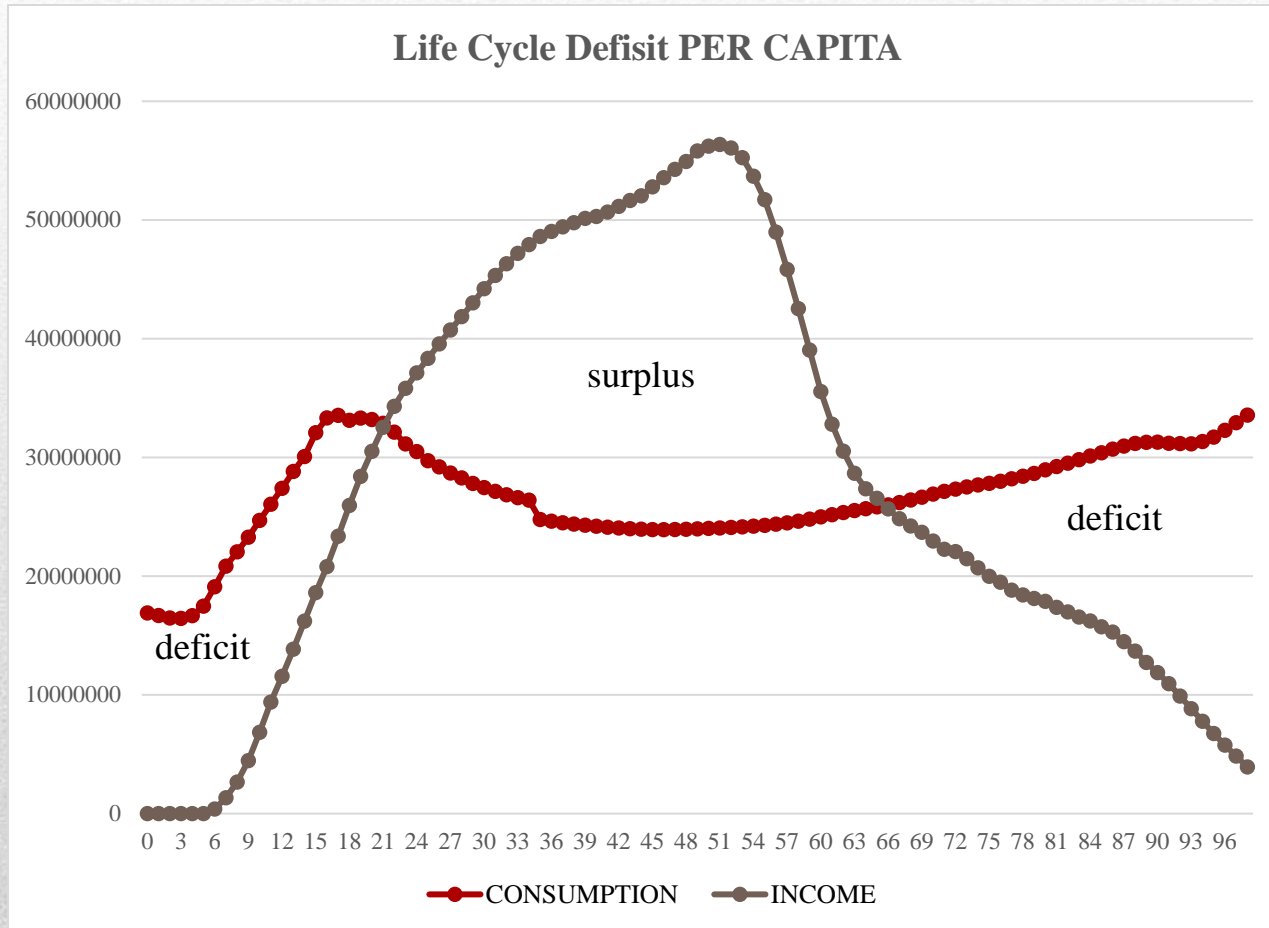Senior High School: 780,000
University: 1,200,000

Distribution of Total Consumption (Public and Private) by Age
Value Per Capita

Aggregate Life Cycle Defisit

RESULT : Life Cycle Deficit per capita value

Life Cycle Defisit PER CAPITA

surplus

deficit

deficit

CONSUMPTION   INCOME

- 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.

TERIMA KASIH
THANK YOU