Demographics and Older People in Indonesia

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Background

Broad project on retirement income support in emerging Asia

Imperative because:

• Rapid ageing: lower fertility and longer lifespans
• Rural urban migration
• High informal labour force
• Very immature social protection structures
Modelling – Utilising IFLS data

• Overall project to build OLG model relevant to emerging Asia
  • Overlapping generations models state of the art for long term insights
  • Integration of formal and informal sectors

• Indonesia an important case study
  • Almost no social pension
  • Great data
    • IFLS has much in common with the HRS family of surveys:
      • Longitudinal Nationally representative
      • Multiple domains – finance, education, work, health, family circumstances
      • Publicly available
The data

Data used in project:
- UN World Population Prospects data (UN, 2019)
- Indonesia Family Life Survey (IFLS)
- National Labour Force Survey (SAKERNAS)
- National Socio-Economic Survey (SUSENAS)

IFLS:
- Representative of 83% of population
- 30,000+ individuals in 13 of 27 provinces
- Rich in socio-economic vars. + coverage of public programs

So, what does the data tell us?
Demographic context (UN, 2019)

- Dependency ratio 65+/15-64
- Share of working age 15-64/Pop
- Total Fertility Rate
- Life expectancy at age 50

Countries included: PRC, Japan, Indonesia, Philippines.
Living arrangements at older ages (IFLS)

Average number of co-residing children

- Females in 2000
- Males in 2000
- Females in 2014
- Males in 2014

Percent of married

- Females in 2000
- Males in 2000
- Females in 2014
- Males in 2014
## Sectoral transitions (Males only, IFLS)

...were by 2014 working in...

<table>
<thead>
<tr>
<th></th>
<th>Formal sector</th>
<th>Informal sector</th>
<th>Not working</th>
</tr>
</thead>
<tbody>
<tr>
<td>Those working in informal sector in 2007...</td>
<td>7%</td>
<td>76%</td>
<td>17%</td>
</tr>
<tr>
<td></td>
<td>3%</td>
<td>83%</td>
<td>14%</td>
</tr>
<tr>
<td>Those working in formal sector in 2007...</td>
<td>69%</td>
<td>27%</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td>27%</td>
<td>58%</td>
<td>16%</td>
</tr>
</tbody>
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Informal sector workers tend to remain there

Older formal sector workers tend to become informal (small sample)

Only younger formal sector workers more likely to remain in formal sector
Income sources at older ages (IFLS)
Summary

- Countries with rapid population ageing, large informal sectors, and under-developed social security systems are of most policy concern.

- Data can help in guiding policy. Understanding living arrangements, employment patterns, and income source is an important start.

- Modelling based on real world data can generate insights into policy impacts:
  - Changes to environment: e.g., Increasing formalization
  - Changes to policy: Social pension; Pension access age;
  - And the interactions between policy and economy
Some Useful References


