

# P R A K A R S A *Policy Brief*

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## Key Points:

- In Indonesia, the number of aged 60 years above was 24 million in 2018, placing Indonesia as one of ageing population countries. This number is projected to increase to 77 million or 23 percent of the total population by 2050.
- The incidence of poverty among elderly is high where 45 percent of the total elderly populations are living under poverty line and 67 percent of them are living at the lowest social and economic level and abandoned. Furthermore, 25 percent out of the total number of elderly populations dwell with families of 3 generations with poor economic condition.
- The Government of Indonesian needs to formulate appropriate regulations and programs to protect and fulfill the rights of the elderly populations and to cope with their explosion which enable them to have quality living standard.
- Optimized protection and the fulfillment of the elderly's rights may reduce poverty at macro level and prevent poverty in the next generations.

## PREPARE THE UMBRELLA BEFORE GROWING OLD: EARLY STEPS TO ANTICIPATE THE EXPLOSION OF ELDERLY POPULATIONS



### Demographic Transition and Trends of Elderly Populations

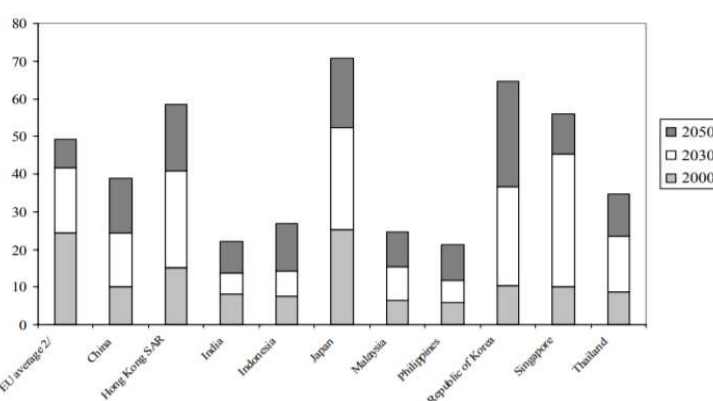
**A**geing population is a global phenomenon that poses impact on the economic growth of all countries in the world. The increasing population of elderly populations in

developing countries are considered faster than in developed countries. Around 60 percent of the world's population over 65 years will live in Asia by 2030, causing a number of economies in the region to face demographic challenges before becoming a rich country (Kikuchi 2017). In 2040, the number of elderly populations in Asia will exceed the total population of Europeans

and North Americans.

In the Asian region, several countries such as Hong Kong, South Korea, Singapore, and Japan, experienced the fastest elderly. South Korea is the

Graph 1. Old Age Dependency in Selected Asian Countries, 2000 – 2050



Source: Heller, M.P.S., 2006

fastest ageing country among any country in the world (Heller, 2017). The demographic dividend period in Asia in sequence is China and Thailand will take place around 2035–2040, Malaysia with a demographic dividend period expected to last a little longer until 2045. Meanwhile India, Indonesia, and the Philippines will face an explosion of elderly populations around 2050 (Heller, 2007).

In Indonesia, the number of elderly populations in 2050 is estimated to reach 77 million or almost a quarter of the total population. The increase in life expectancy is actually a positive impact of the development and improvement of the quality of life of the community such as improving community nutrition and improving health services. The Ministry of Health stated that the average life expectancy of the Indonesian population was 71 years in 2018. This rate increased from the previous 68 years in 2008 (Ministry of Health 2019; Sunusi 2008).

### Poverty of Elderly in Indonesia

The increasing rate of Indonesian's life expectancy community has become a factor in the increased number of elderlies. To date, comprehensive protection and social security program for the elderly is yet to be developed and implemented. In fact, half of elderlies are in poor social and economic condition. The TNP2K (National Team for the Acceleration of Poverty Reduction, 2017) stated that approximately 45 percent of the elderly populations are in households with the lowest socio-economic status of 40 percent with 67 percent of them living in very poor and abandoned conditions (TNP2K 2017).

This condition has caused older people to continue working to meet their living needs. More than 50 percent of elderly in Indonesia are still working, 84 percent of men elderly aged 60–64 years are still working and 75 percent of men elderly over 65 years old are still working. While 60 percent of women aged 60–64 years are still working and 46 percent of women aged over 65 years are still working. In fact, many of them are living in poor 3-generation families and require them to work to help the needs of other family members. In addition, 30 percent of elderly in Indonesia financially support their families by transferring money with an average transfer amount of IDR 950,000 per month. This finding highlights the fact that the elderly also play an important role in providing financial support to family members who are still in their productive age (TNP2K, 2013).

For elderly who are not working and not receiving retirement security due to the limited social protection provided by the government, the elderly populations live by depending on financial assistance and care from their children and grandchildren. Consequently, the elderly sometimes to be perceived socially and economic burdens for their children and grandchildren. This has an impact on family members, especially on children because the available resources must be divided for the elderly within the family and reduce the needs of children's nutrition

and education. At extreme levels of poverty, children are at risk of dropping out of school and malnourished. TNP2K data (2013) stated that almost a quarter of the total monthly income of 57 percent of elderly in Indonesia comes from families. This rate is 16 percent greater than the average total wages earned by the elderly.

Given that the majority of the elderlies are in low economic groups and the average of elderly lives with poor families. Thus, then if the government does not provide social assistance to meet the basic needs of the Elderly, both the elderly and their families will deal with a hardship and the poverty is high likely to be transferred to the next generation.

### Opportunities and Challenges

The era of demographic dividend that to happen soon in Indonesia is an opportunity to boost the national economy. The peak of demographic bonus in Indonesia is estimated to occur in the period of 2030 – 2040 when the population of productive aged 15–64 years is more than the non-productive age population (64 and above). Indonesia's productive age population is predicted to reach 64 percent of the total population projected to reach 297 million (BAPPENAS, 2019).

In order for Indonesia to enjoy maximum benefits from demographic bonuses, abundant productive-age human resources must have excellent quality education and skills in order to compete in the labor market and be able to work more productively. Attention should be paid to the fact that the opportunity for demographic bonus in Indonesia is quite narrow more or less will only occur within 10 years. In addition, according to (Bloom et al., 2011), demographic bonus cannot be repeated in one demography cycle. When the window of opportunity ends, the national economy will automatically follow the next demography cycle, which is elderly demography. Finally, elderly populations will increase the dependency rate and it is predicted that the impact of performance on the economy will decrease (Bloom and Finlay, 2009). Without early preparation of a comprehensive social security such as pension and health protection, then the elderly will be difficult to anticipate the negative impacts.

Looking at the condition of the work force and work structure in Indonesia which is dominated by the labor force who only average graduated from elementary school and low-skilled who work in the informal sector, the current and future of elderly populations is potentially to be in vulnerable economic conditions. Therefore, the policy and protection program for the elderly populations need to be immediately formulated and implemented hence the poor condition for the elderly can be anticipated. The Government of Indonesian's intervention can be initiated by issuing policies and programs that are able to prevent the elderly populations from becoming poorer.

## Elderly Populations Protection and Poverty Reduction

Elderly Protection in Indonesia is carried out through two forms, social security and social assistance. Social security is embodied in the National Health Insurance program through the BPJS Kesehatan (Social Security Administrative Body for Health) and social security to employment program through the BPJS Ketenagakerjaan (Social Security Administrative Body for employment). BPJS Kesehatan to elderly up to 2018 (TNP2K, 2019) has reached 100 percent out of 40 percent of the lowest economic group and 84 percent out of total elderly populations. Meanwhile BPJS Ketenagakerjaan only reaches 12 percent out of total elderly populations (TNP2K, 2019).

Several on-going social assistances:

- 1) Rastra (Rice for the Poor), reaching approximately 43 percent of elderly populations households.
- 2) PKH (Family Assistance Program), reaching 4.25 percent of elderly populations households.
- 3) ASPDB (Social Assistance Program for Persons with Severe Disabilities). This program is basically intended for families who have family members with disabilities, both elderly and non-Elderly Populations. No specific data is available on the number of diffable elderly who receive this assistance. However, since 2018, ASPDB has been integrated into PKH.
- 4) ASLUT (Social Assistance Program for Abandoned Elderly populations), reaching only 1.08 percent out of total elderly populations. For ASPDB, the Indonesian government has established ASLUT to be integrated into PKH.

## Policy Recommendation

1. In situations where the social security of health and employment of the elderly is not yet perfect, the government needs to increase the nominal amount of social assistance in cash to the elderly populations so that the quality of life of the elderly populations is well preserved. The additional nominal social assistance proposed by PRAKARSA is IDR 425,250/month/elderly. This nominal value is adjusted to the national poverty line number in March 2019. This will protect the elderly populations and reduce poverty significantly
2. The government needs to improve the monitoring and evaluation system by integrating PKH assistance work with the ASLUT program. Increasing the capacity of PKH facilitators is one of the main prerequisites and the need to open participation of civil society organizations in monitoring evaluations of the elderly populations program. Multi-stakeholders monitoring evaluation will be able to overcome exclusion errors and inclusion errors so that the elderly populations program becomes more effective and has a good impact
3. The government needs to immediately open space for non-governmental actors in regulatory review or review activities (revision of Law 13/1998 on elderly welfare) and review of the protection and welfare programs of the elderly populations so that the medium-term priority (2020-2024) and long-term (2025 -2050) can be formulated better. In addition, this step will also facilitate the integration of elderly populations program policies. It is hoped that we will be able to project fiscal needs in protecting the elderly populations in the future when Indonesia faces an explosion of elderly.
4. Government and non-government actors need to review the perceptions and expectations of young people about retirement to prepare a policy of protecting the elderly populations in the future that will meet the needs.

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**Disclaimer:**

This policy brief is prepared to build public awareness in promoting a better policy in preparation of the explosion of the elderly populations in ensuring them to have quality standard of living. Furthermore, this policy brief is expected to be a material for discussion on how to protect and fulfill the rights of the Elderly. This PRAKARSA Policy Brief developed with the support of Voice Indonesia - Hivos Southeast Asia for the PRAKARSA.