

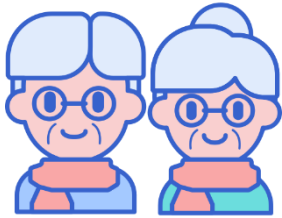


# Fiscal Sustainability in The Era of Aging Population

**Hariyadi**

**Directorate of Population Planning and Social Protection**

# Outline



**Population Ageing**

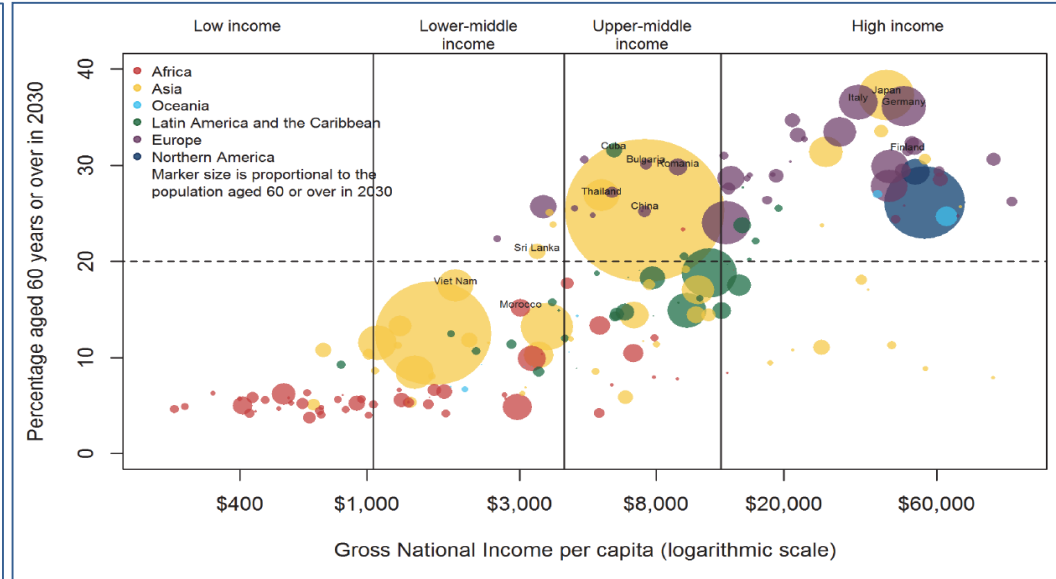
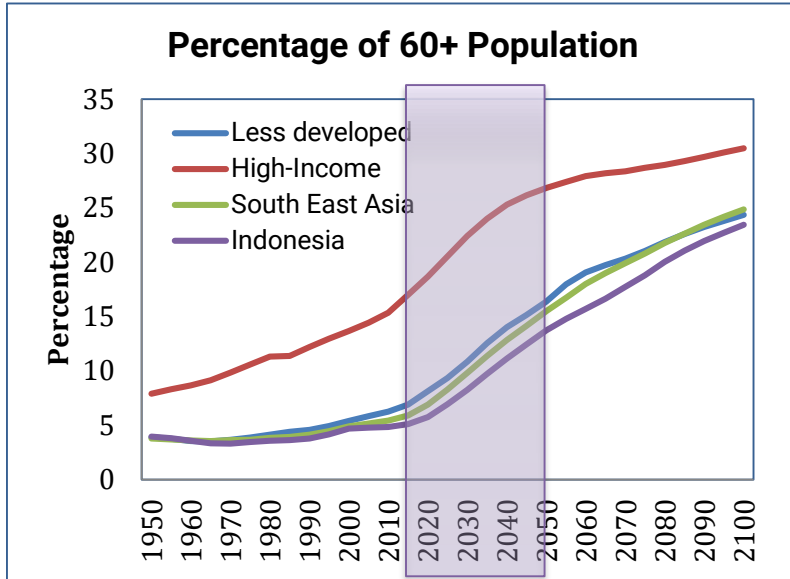


**National Strategy**

# Population Ageing

The addition of the elderly population is far faster compared to other age groups

# All Regions Experience Similar Speed of Ageing within 2020-2040



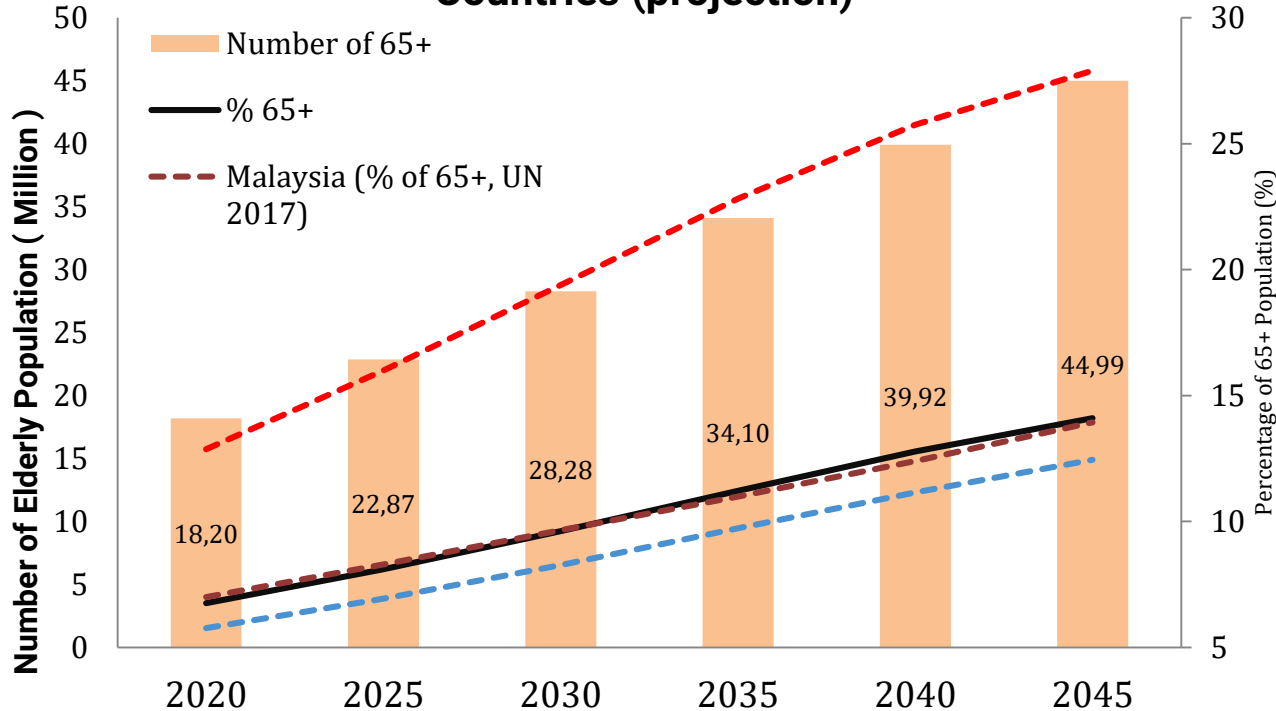
Sumber : UN Population projection 2017 Revision

- Within 35 years, number of elderly in the world will be doubled: from 901 million in 2015 to 2.1 billion people in 2045.
- Some less developed countries will experience ageing before they are getting rich.
- **Key question:** how to harness the benefit of growing elderly population for better growth?

# How Soon Will We Be Ageing?

## Achievement of SDGs Will Lengthen Our Longevity

Number and Proportion of the Elderly in Selected Countries (projection)



- Ageing population in Indonesia is certainly underway.
- We are scheduled to be behind Malaysia.
- However, if we can achieve SDGs target on Mortality Rate, ***Indonesia will surpass Malaysia in the future.***
- An opportunity for Indonesia.

Sources: New Projection 2015-2055 Central Statistical Bureau and Bappenas, UN Population projection 2017 Revision

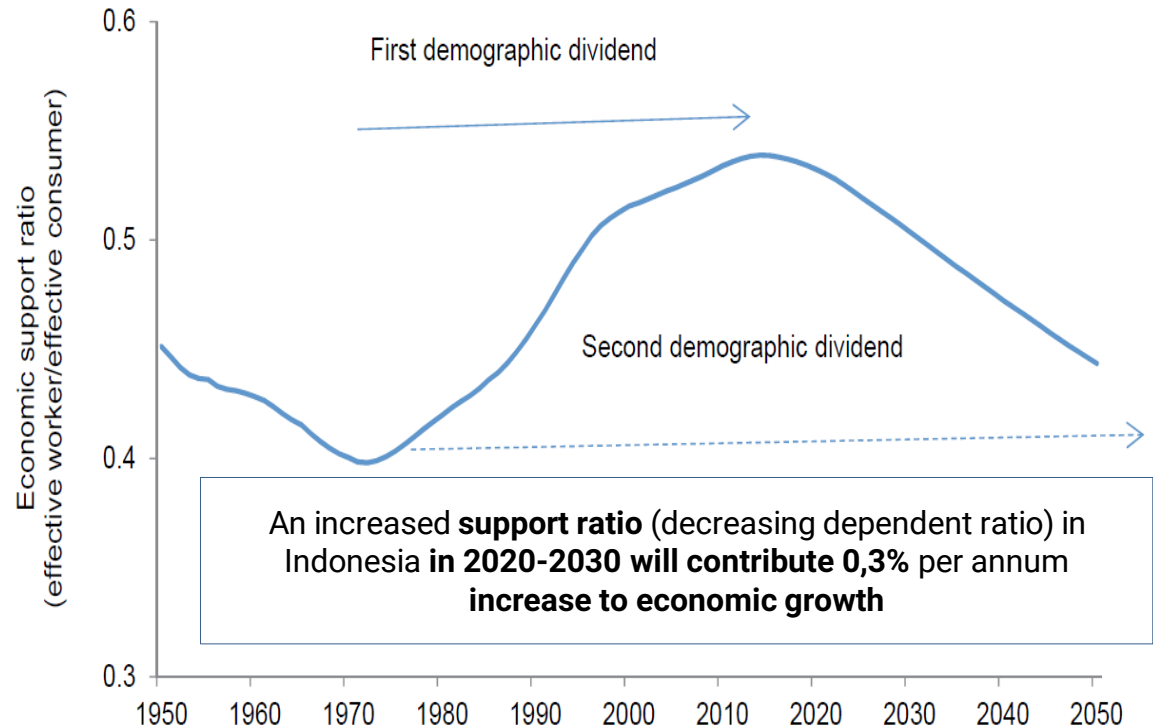
# Ageing Does Not Mean a Declining Economic Growth

## FIRST ECONOMIC DIVIDEND

- Declining fertility rate accelerates the change of population structure.
- An increase in the working age population accelerates economic growth.
- Ageing population will still contribute to the first demographic dividend by keeping them productive.

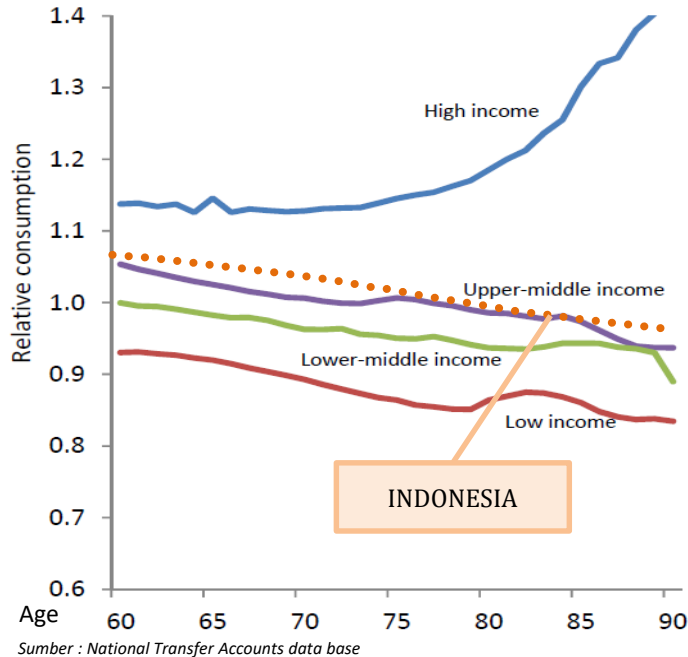
## SECOND ECONOMIC DIVIDEND

- Higher productivity provide workers with more surplus of their production for more investment.
- Investment in real sectors and other development will deliver a more permanent and consistent effect to countries' economy.



Source: United Nations (2013). *National Transfer Accounts Manual*.

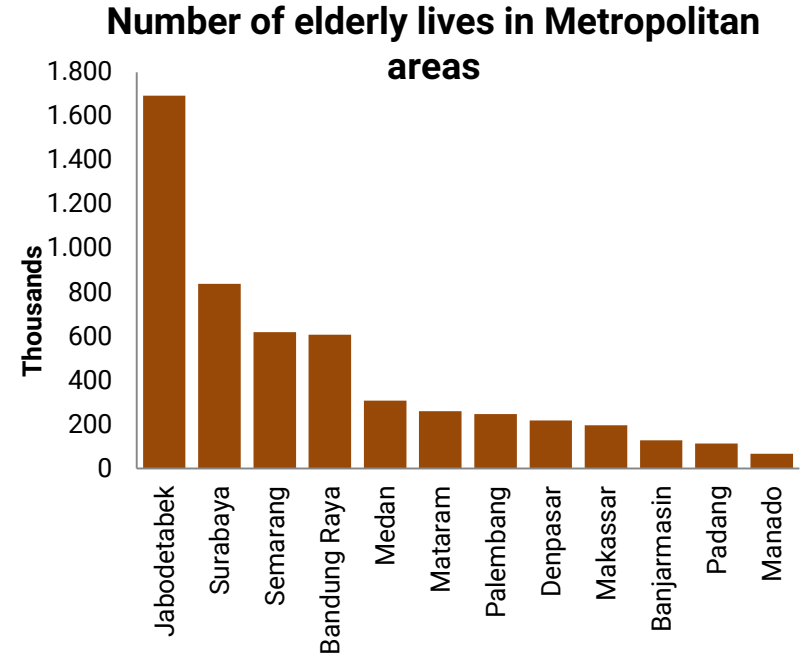
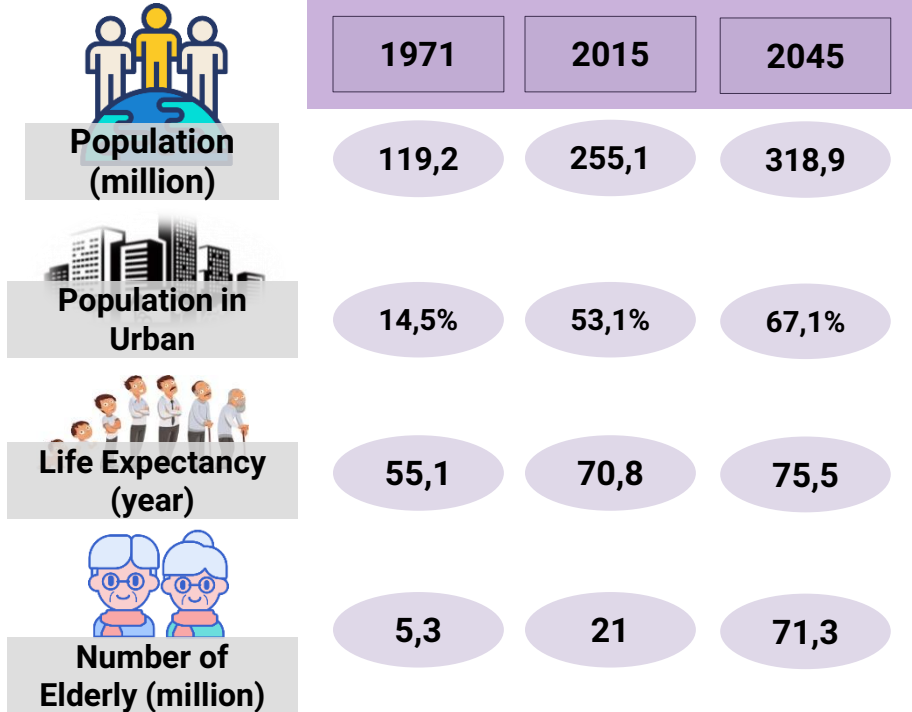
# However, Almost Half the Elderly Population Does Not Have Pension



Per capita consumption (60+)  
(relative to consumption 30-49, single age, and by  
country income level relative to consumption of  
population 30-49), by single age, and income level

- Consumption pattern of the elderly indicates nation's welfare and vulnerability.
- Elderly population in the middle and lower income countries are more vulnerable to poverty.
- In a country where pension program is universal (or mandatory) elderly poverty is below national level, for example Latin American countries.
- Pension coverage is still low in Asia and Indonesia particularly:
  - Europe and American > 90%.
  - Asia and Pacific < 40%.

# Indonesia is Growing Old

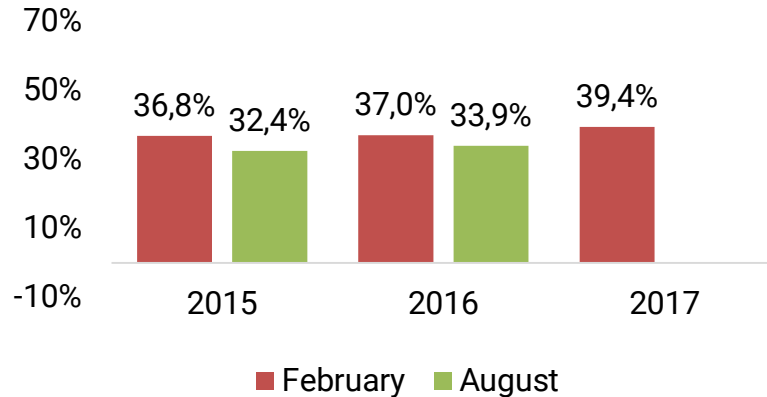


- In the nearest future, population will be ageing. Indonesia will reach 10% of 60+ elderly in 2020s.
- In 2015, number of elderly is around 21 million, in which more than half lives in the urban area.
- Number of elderly who lives in the metropolitan areas is about 5,3 million.

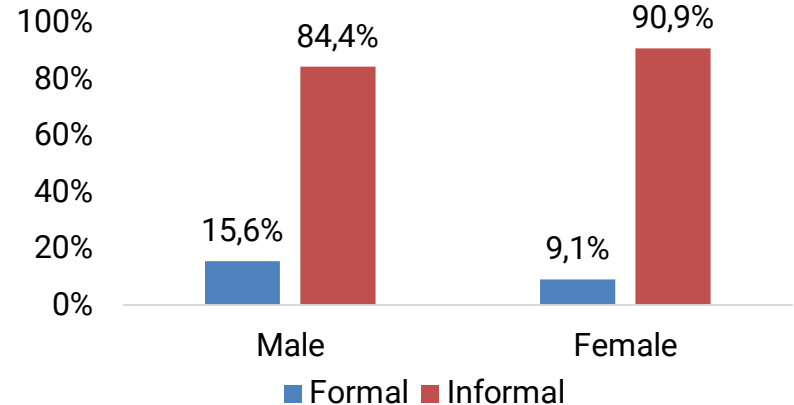


# Female elderly is the most vulnerable because their pension ownerships is very limited

Labour Force Participation Rate  
(60+, Female)



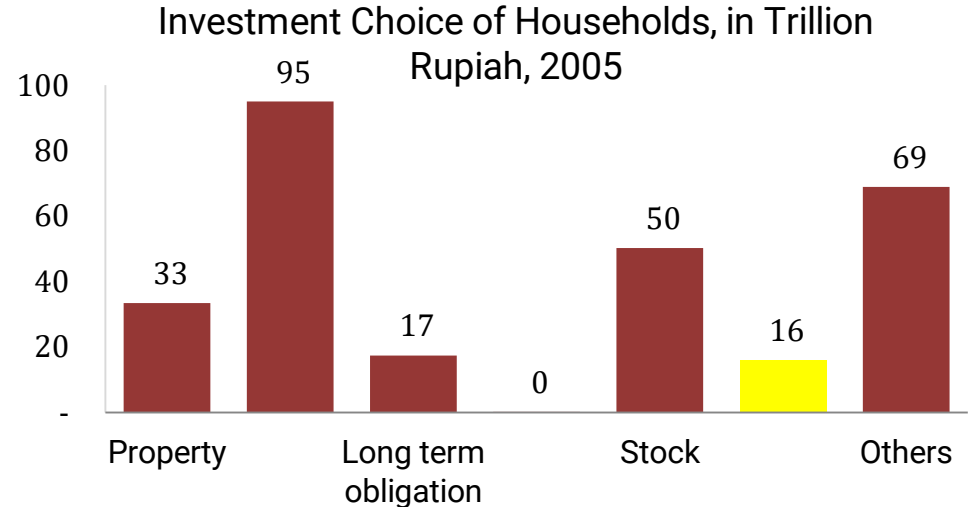
Labour force Participation and Employment  
Sectors(60+ as of February 2017)



- More female elderly works in the informal sectors.
- With low labor force participation and more to informal sectors, female elderly live without pension support.
- On contrary, female elderly lives longer than their male counterpart. This makes they live in poverty longer.

# Pension Fund Still Not The First Option

- Indonesian elderly still uses traditional way of investment to finance their retirement.
- Only the middle and upper group can sufficiently finance their retirement.
- Only 10% of 60+ elderly relied on pension fund in 2015.
- There is still higher number of poor elderly (around 11% in 2016).



Source:

(1) Social Financial Accounting Matrix 2005;

(2) Maliki, Implication of Demographic Dividend on Government Policy in Indonesia, 2014

(3) Maliki, National Transfers Account 1993, 1996, 1999, 2002, 2005, 2012

# **National Strategy**

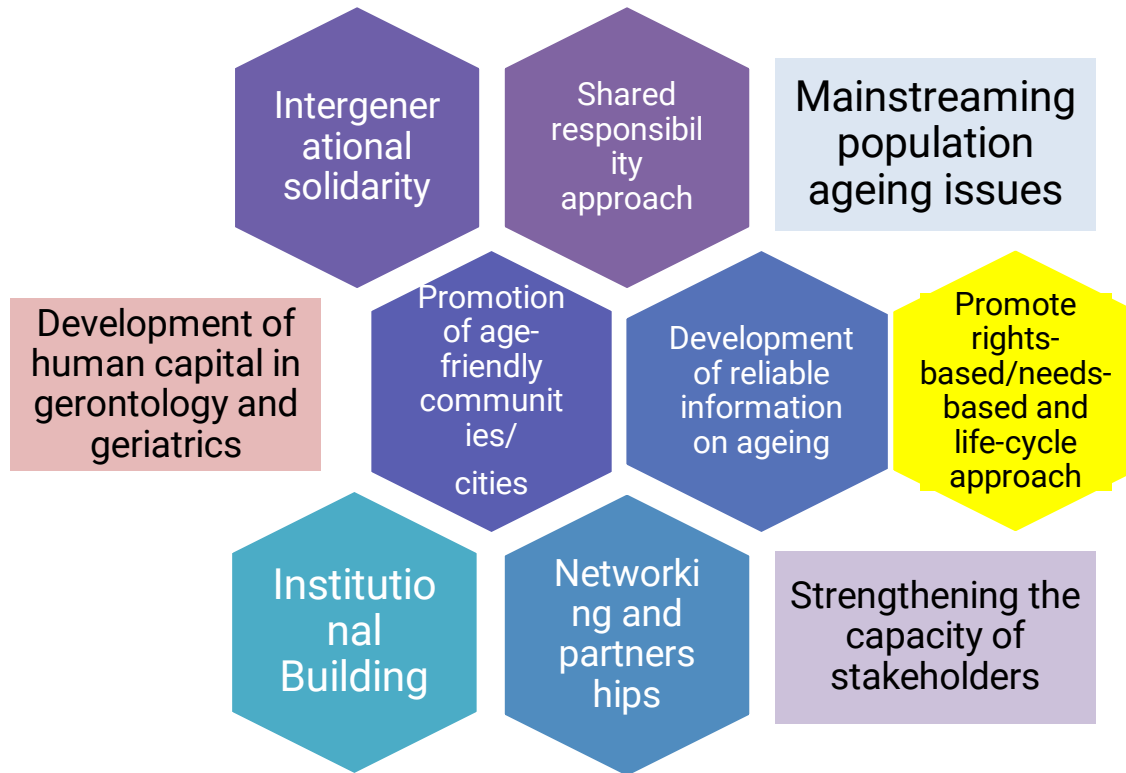
**Towards Independent, Prosperous, and Dignified Elderly**

# Adopted Declaration on Ageing for Regional Cooperation

**The Madrid International Plan of Action on Ageing (MIPAA) (2002)**

**The Asia-Pacific Seminar on Regional Follow-up to the Second World Assembly on Ageing (2002)**

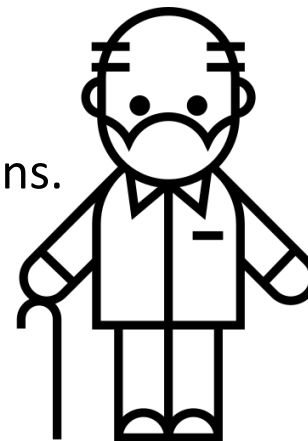
**Kuala Lumpur Declaration on Ageing: Empowering Older Persons in ASEAN (adopted by the 27th ASEAN Summit in November 2015 in Malaysia)**



Source: Kuala Lumpur Declaration on Ageing (2015)

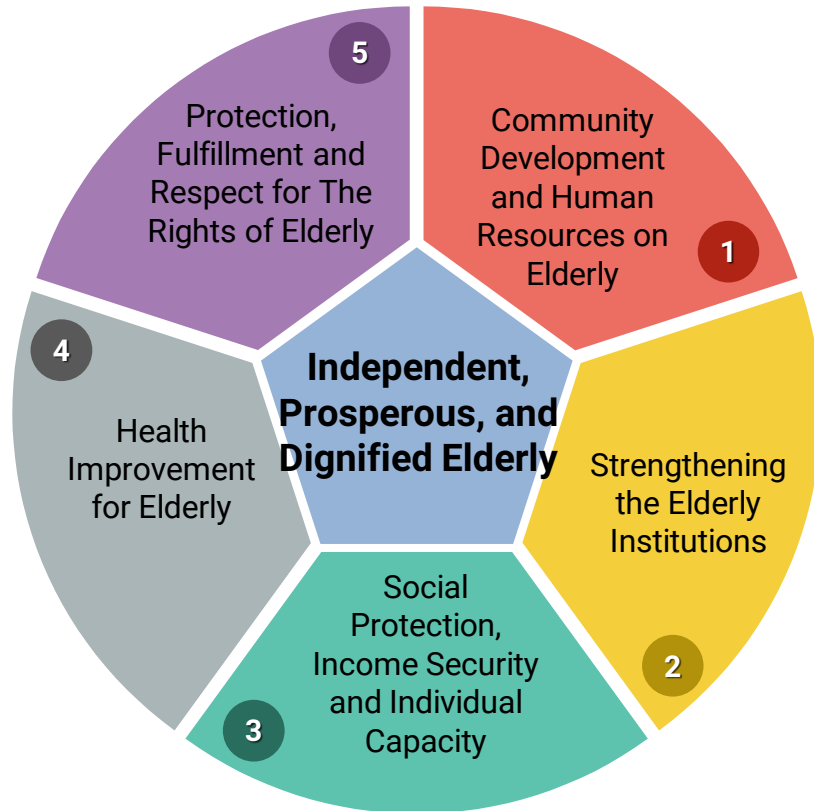
# Ageing Policy Approach

- **Right-based approach**
  - ensure the elderly can carry out their obligations.
  - admitted their rights as citizens well.



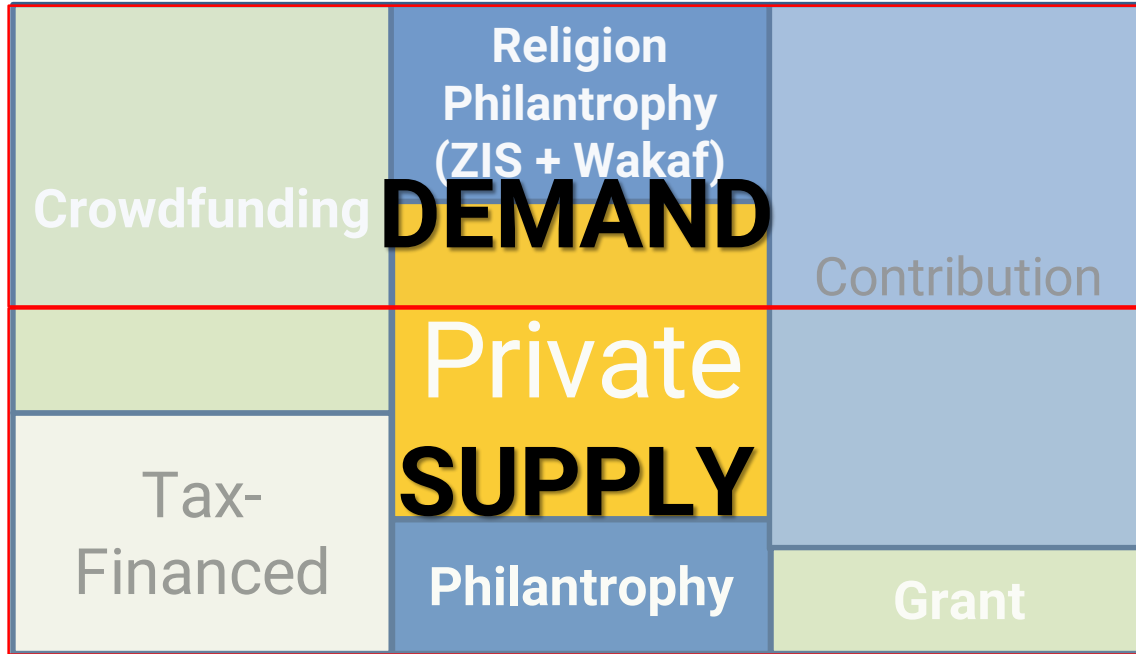
- **Life Cycle Approach**
  - Based on the existence, characteristics, and human needs since birth to the end of life
  - prevent and reduce the risk of vulnerability

# National Strategy Towards Independent, Prosperous, and Dignified Elderly



- End of 2019, accreditation guidelines for elderly institutions are disseminated.
- By 2019, integrated efforts within community to anticipate the aging process early (lifecycle approach).
- By 2020, regulations on the elderly are revised completely.
- Annually, Healthy Life Expectancy Rate increases.
- Every year, the coverage of Social Security membership expands.

# Potential Sources for Ageing Fiscal Sustainability



Ensuring the protection of the ageing and maintain the 'KEMANDIRIAN' of the capable by integrating and harmonizing the source of funding:

1. Harmonizing the use of crowdfunding, grant, zakat and waqf, and other philanthropy
2. **Optimizing the contribution and tax-financed scheme**

## Key Initiative

- Long-term sustainability key metric, especially for social insurance, taking into account
  - Unifying/rationalising social assistance and social insurance - information technology architecture
  - Utilize big data for program and organizational development strategies
- Present (and future) structure of the labour force → potential digital economic driven
- Financial and investment literacy system
- Increased of productive age and the elderly productivity by increasing entrepreneurship.





Thank You