

Support System of Indonesian Elderly

By Maliki
(National Development and Planning Agency, Bappenas
Institute of Demographic, University of Indonesia)

Asia's Dependency Transition: Intergenerational Transfers,
Economic Growth, and Public Policy
Nihon University, Tokyo, November 1-3, 2007

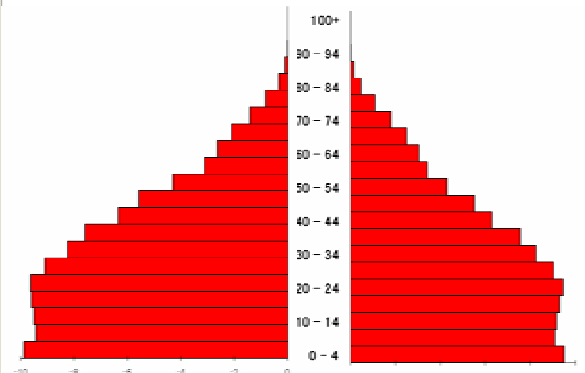
- Motivations
- Demographic structure
- Government policy
- Consumption and production patterns
- Support system
- Poverty and support system

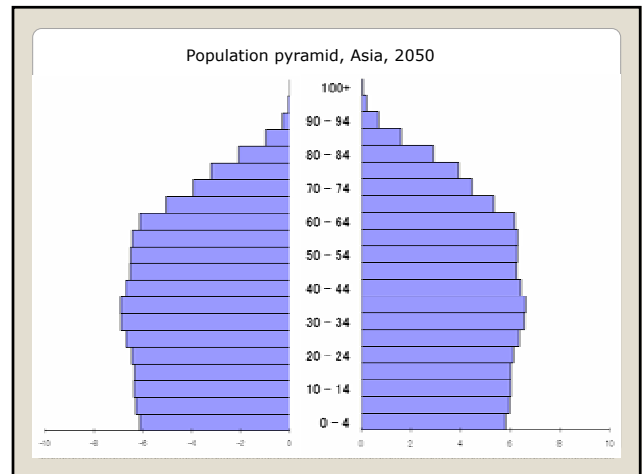
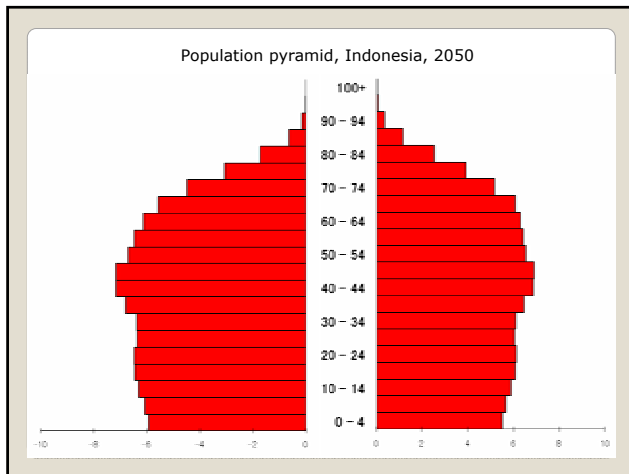
Organization

- Understanding how the elderly finance their consumption
- Investigating the finance of consumption differ by the income level
- Implication of financing system on public policy

Motivations

Population pyramid, Indonesia, 2005





- Civil servants, military men, industrial workers and dependent are the only one who receive formal social protection (Esmara and Tjiptoherijanto 1986; 56)

Pension and the Elderly

- Social Assistance for the Elderly Law, 1965
- Social Welfare Law, 1974
 - The government committed to the social assistance program, social security system, social rehabilitation activities, social education program for all the Indonesian citizens.
 - Never fully enforced due to unstable political situation

Social Security in Indonesia (1/3)

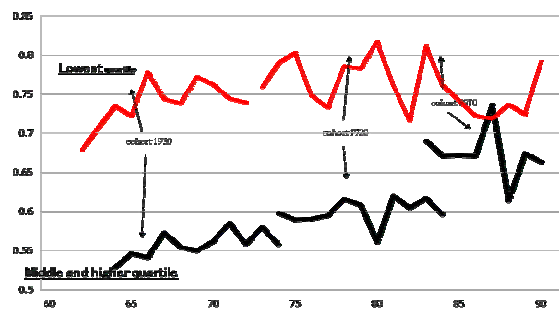
- Workers' Social Security Law (*Jamsostek*), 1992
 - Provident fund and social insurance system program.
 - Invested in the bank resulted low rate of returns, approximately at 38% below the level of inflation and 63% less than the average market rate (ILO, 2003: 94).
 - Does not provide sufficient incentive for the members to pay the contributions (Leechor, 1996).
 - Only medium and large-size enterprises adopt the scheme that makes majority of workers, approximately 80%, are not covered by the scheme.
 - Self-employed persons are not included.

Social Security in Indonesia (2/3)

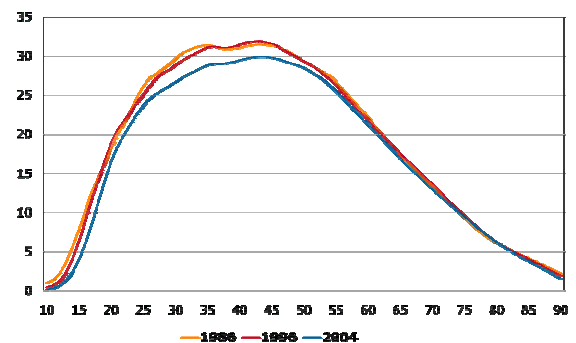
- The Social Welfare for Elderly, 1998, 2003
 - Law mandates social security emphasizing on old age pension and old age savings, including national health insurance, work-injury insurance, and death benefits

Social Security in Indonesia (3/3)

Proportion of Indonesian elderly to live at extended family by cohort and income level



Average hours worked per week, Indonesia



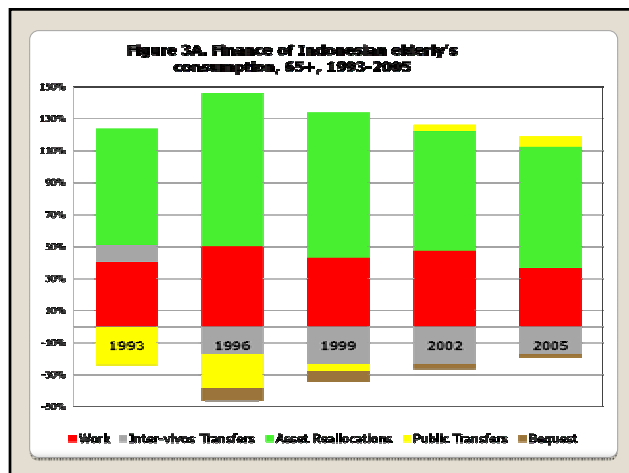
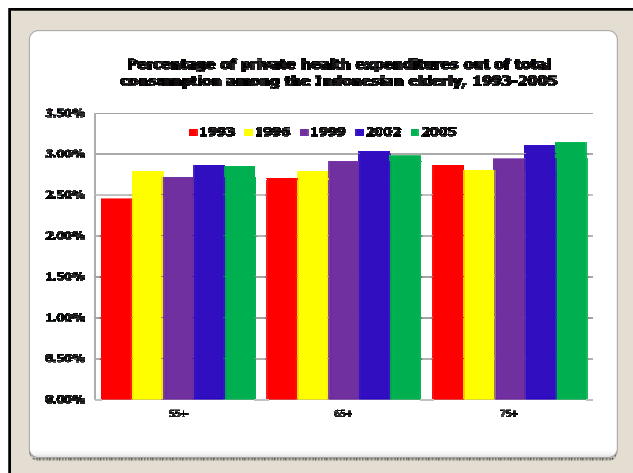
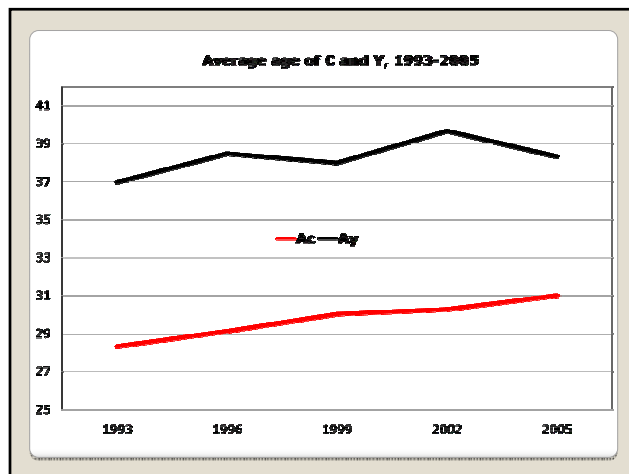
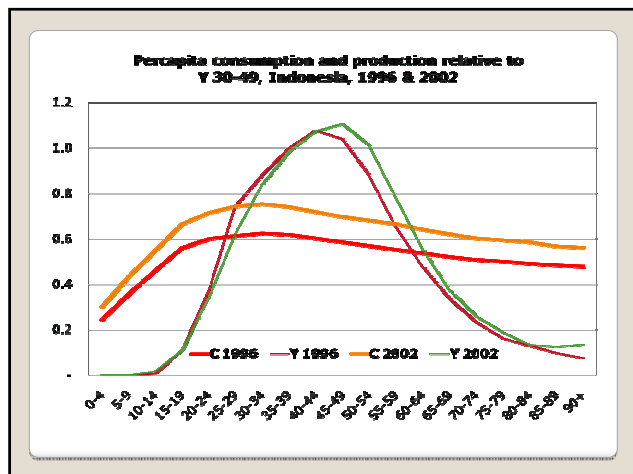
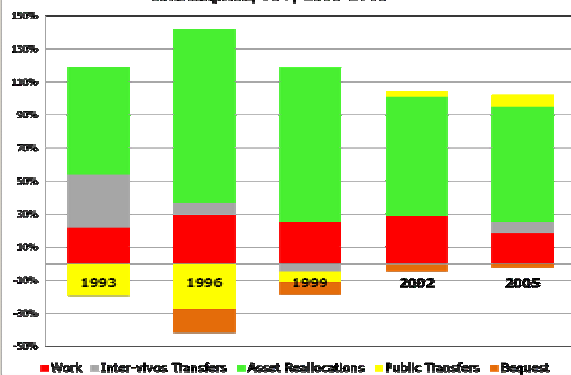


Figure 3B. Finance of Indonesian elderly's consumption, 75+, 1993-2005



- High assets reallocation among the elderly
 - Important among the elderly
 - Different pattern between quartile?
- Relatively high productivity among the young elderly
 - Particularly self-employed workers
- Familial supports are relatively small and tends to be reverse (to the young generations) among the young elderly (65+)
 - Shows an increase intervivos transfers to the elderly (75+)
- Public supports are relatively slow
 - Also shows an increase recently

Implications

Figure 4A. Growth Rates of changing in financing the elderly through Labor Income

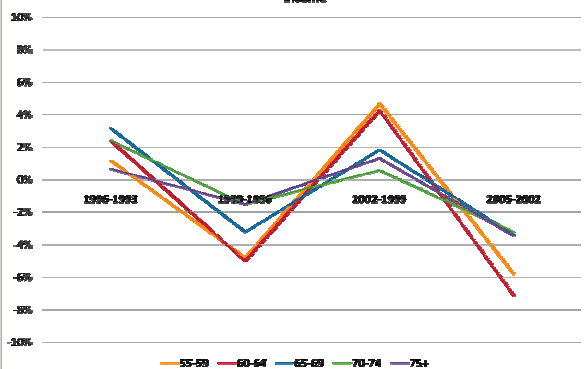


Figure 4C. Growth Rates of changing in financing the Elderly through Intervivos Transfers

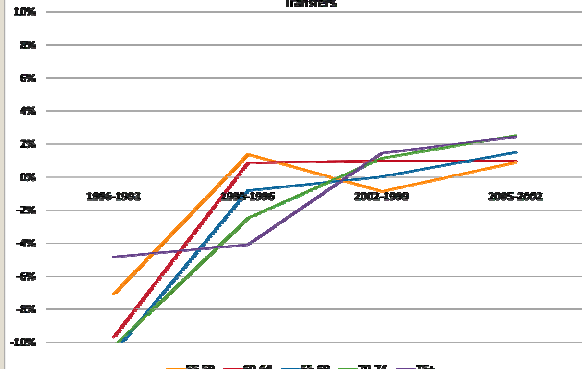
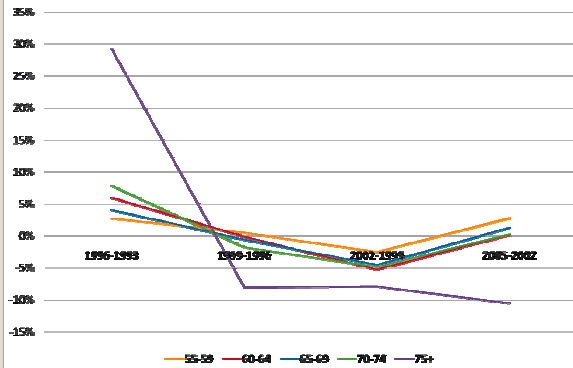


Figure 4B. Growth Rates in changing of Financing the Elderly through Assets Reallocation

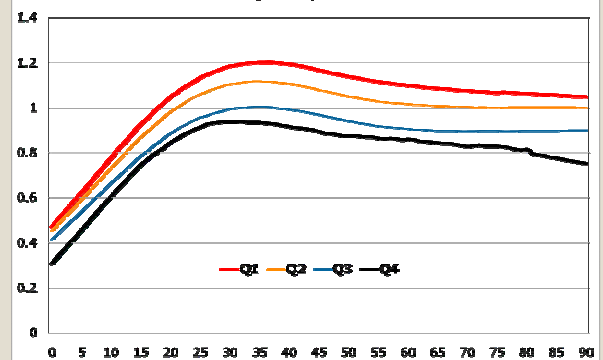


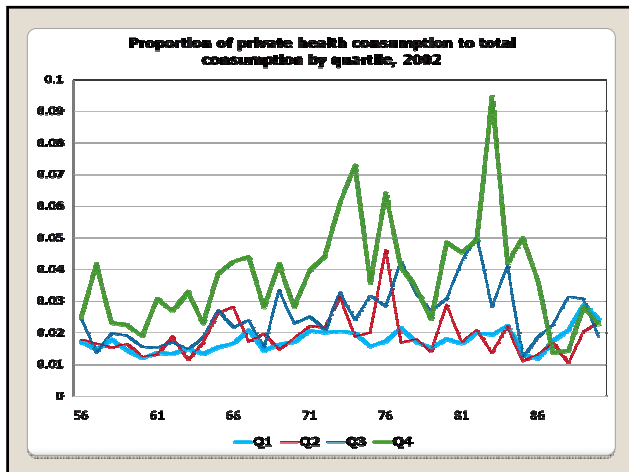
Poverty and Support System

- Consumption patterns are similar between the income level, but
- The proportion to their production has big gap between the income level

Poverty and consumption pattern

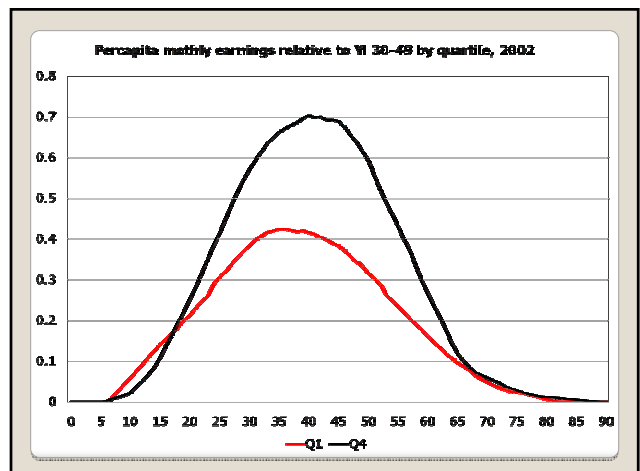
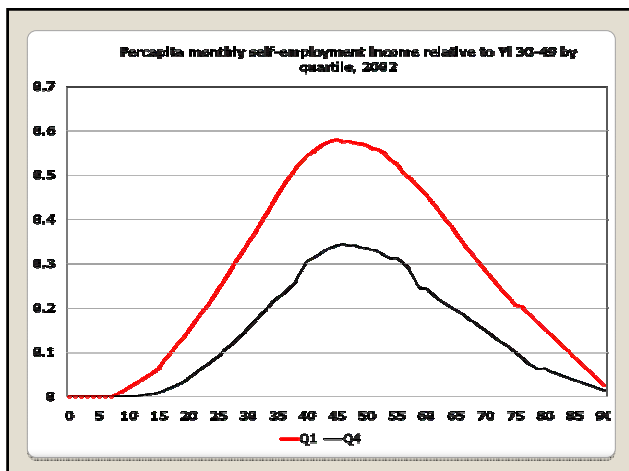
Monthly percapita consumption relative to ¥130-49 per quartile, 2002



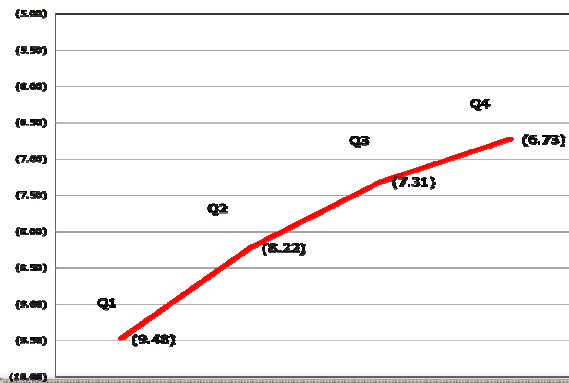


- Labor income of poor people are mainly from self-employed
- Longer age span of production among the poor
 - Start early retire late
- $Ac-Ay$ is larger negative for the poor

Poverty and production



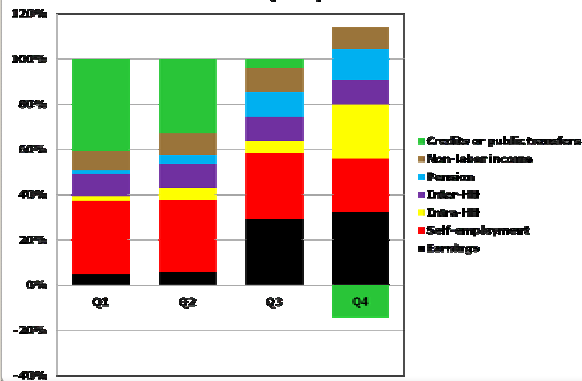
Ac-Ay by quartile, 2002



- Their support systems reflect their differences in
 - productivity,
 - assets,
 - composition of the households
 - Extended or not

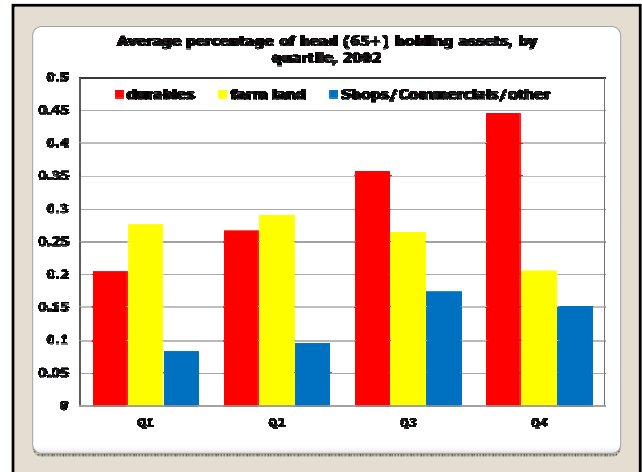
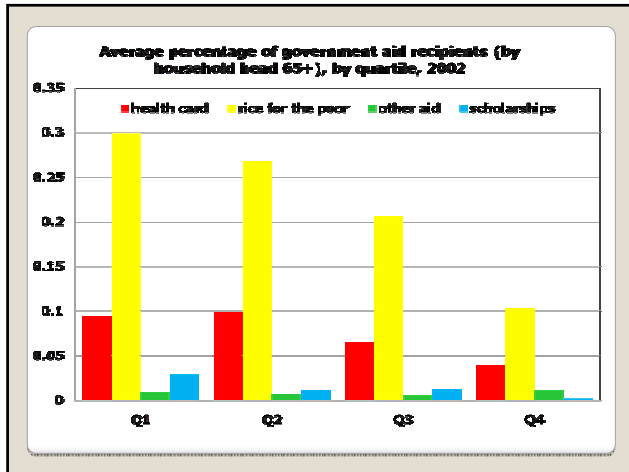
Support system

Finance of elderly (65+) consumption by quartile (2002)



- Need to solve residuals components
 - Public cash transfers
 - Concentrate at the lowest quartile ?? Or mistargeting ??
 - Credits
 - Credit access for the lowest quartile ?? Who are going to pay for it ??
 - Do the poor have enough assets
 - Under reporting of income
 - Aggregate control per income level ??

Questions



- Intergenerational transfers of poverty –
 - If the poor elderly have credit access, but do not have enough sources to pay back
- Public cash transfers are required to fill the gap of the poor elderly consumption

Final Remarks