

# Older Persons in Malaysia and Indonesia



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**The 12th Global Meeting of the NTA Network on  
*“Opportunities and Challenges of the Demographic Transition for Meeting the 2030  
Agenda and the Sustainable Development Goals”*  
Mexico City, Mexico, July 23-27, 2018**

# Data for NTA estimates

## Malaysia:

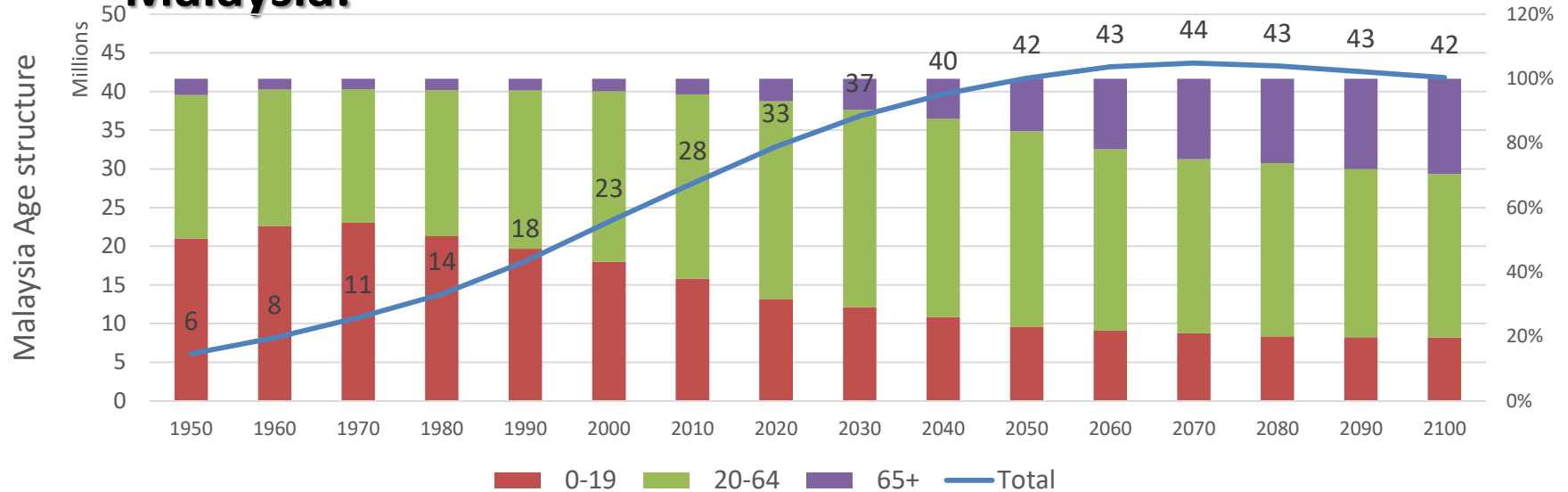
- The survey:
  - Household Income and Expenditure Survey (HIES), 2014
  - Income and Expenditure (household level), background
- Population data from DOSM for 2014
- National Accounts and Administrative data
  - Distribution and Use of Income Accounts and Capital Account, 2014 (published by DOSM in 2015)
  - DOSM, MOH, MOE, EPU etc

## Indonesia:

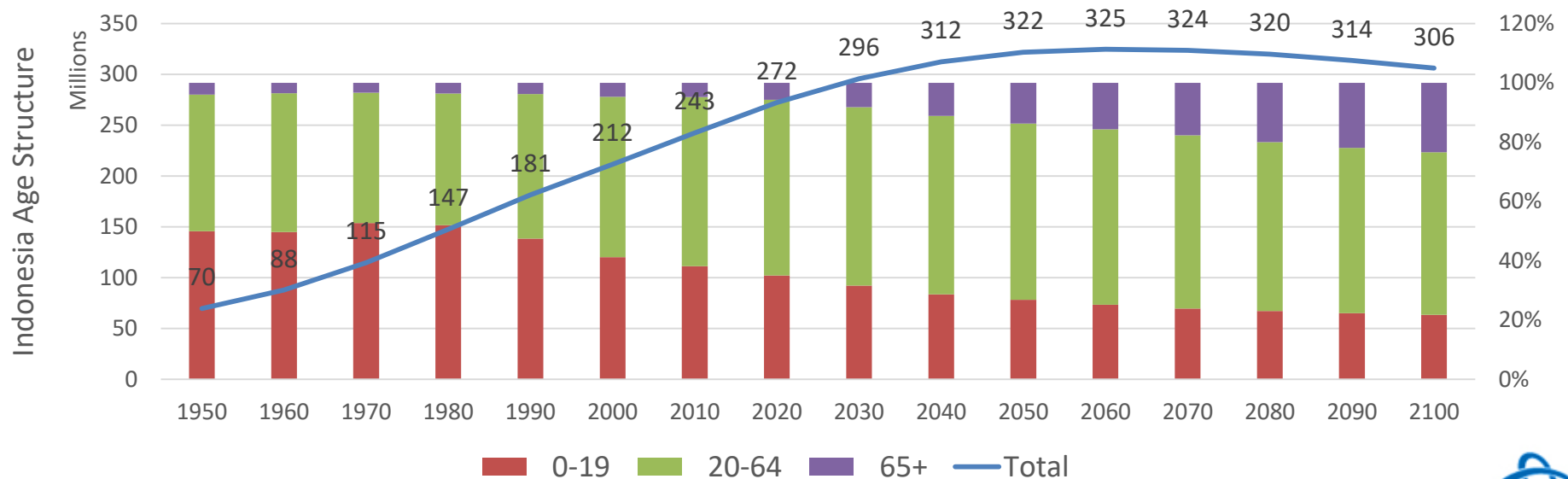
- Socio Economic Survey (SUSENAS), 2012
- Population data from Central Statistics Office and Bappenas 2010-2035
- National Accounts and Public Financing

# Demographic overview

## Malaysia:

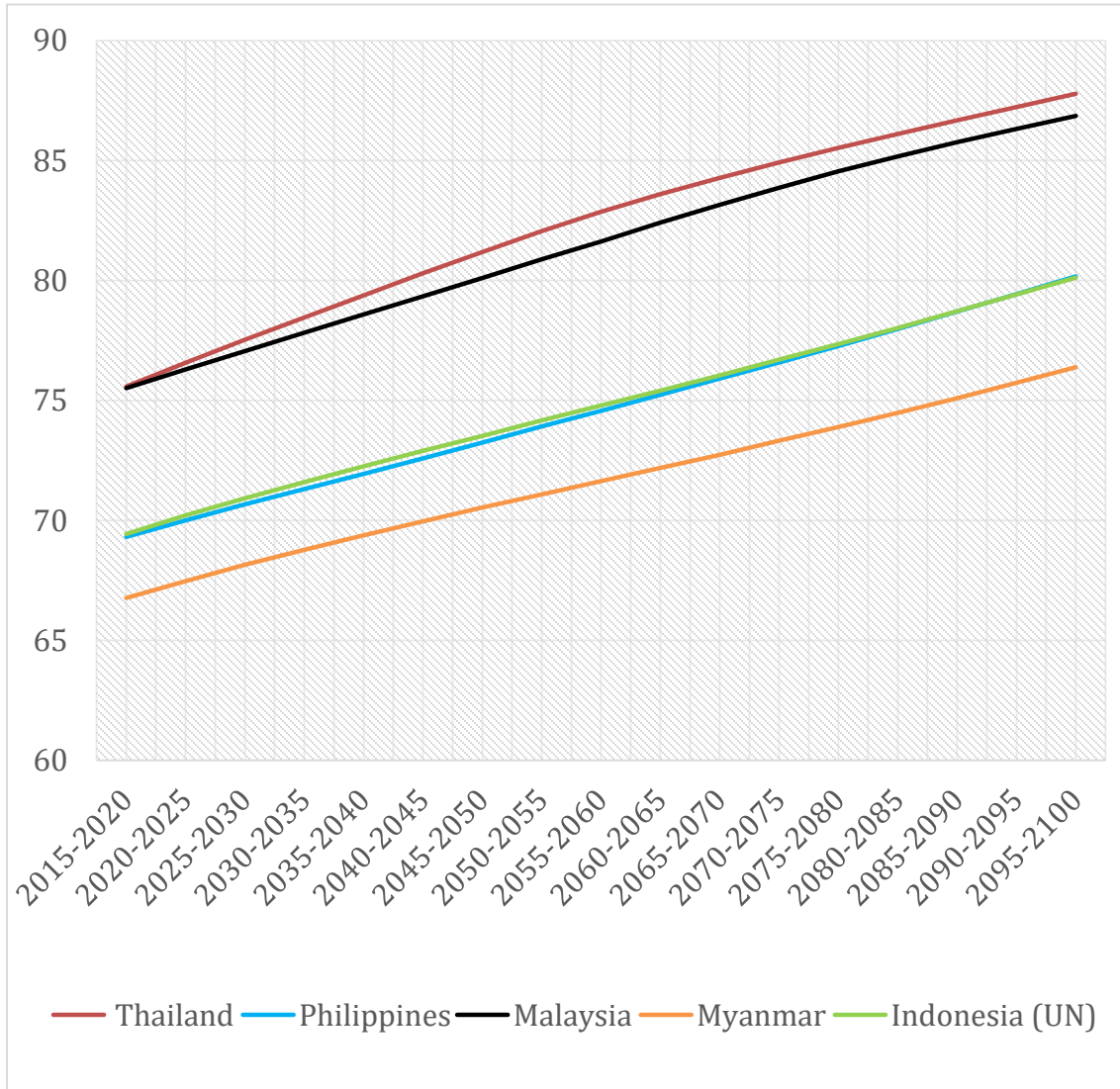


## Indonesia:

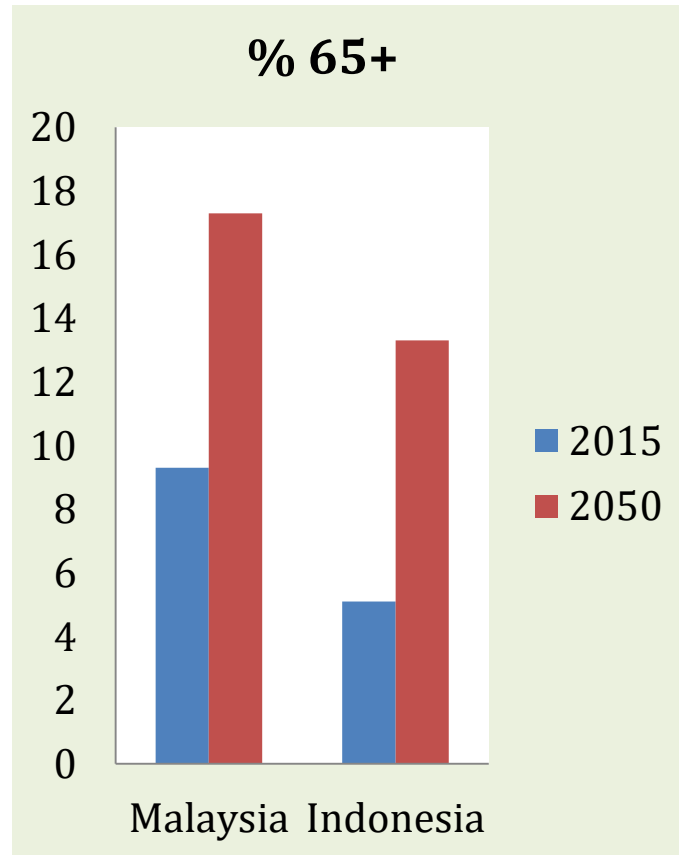


# Demographic overview

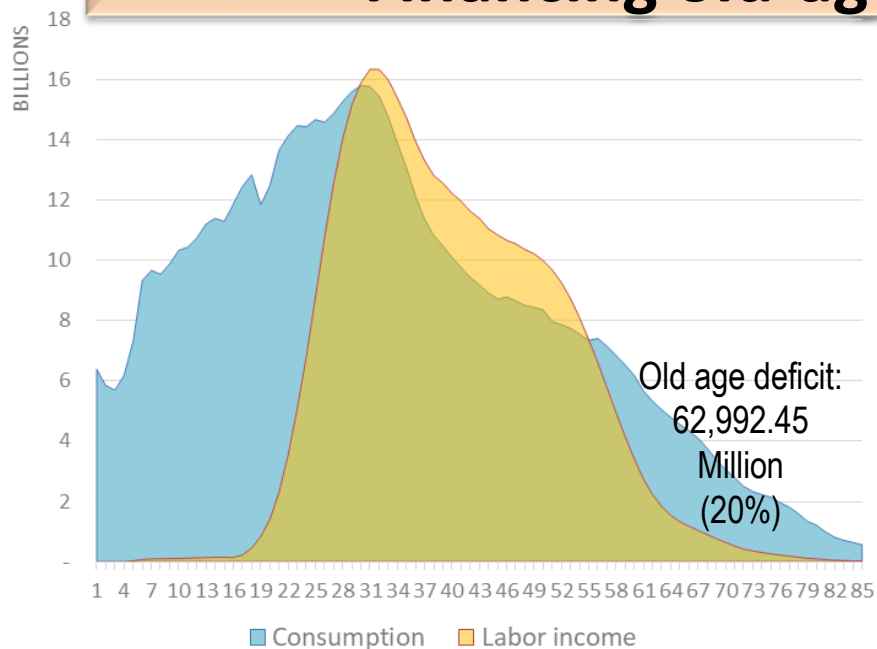
Malaysia is far older than Indonesia



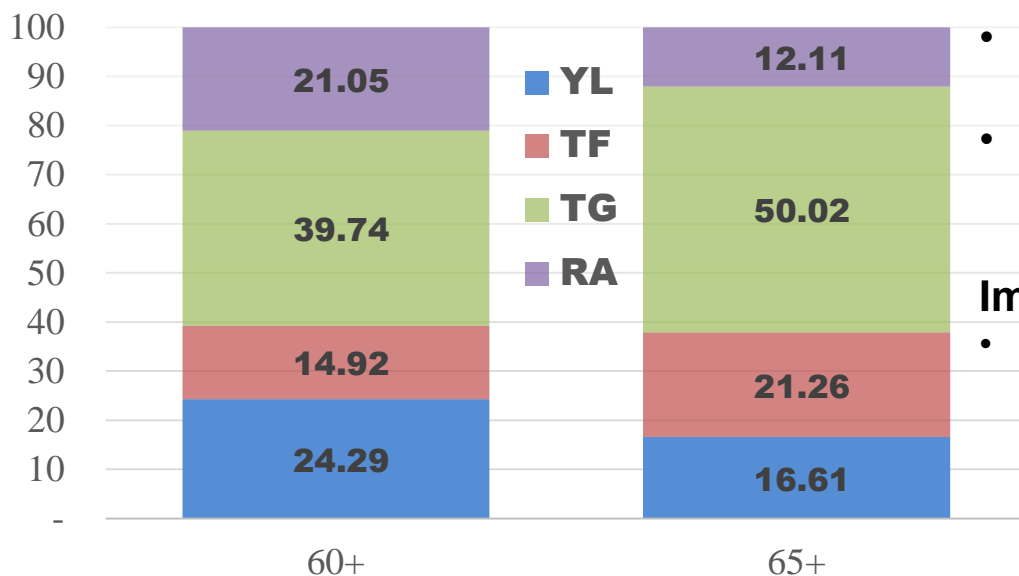
Malaysian life expectancy is longer than Indonesian



# Financing old-age deficit, Malaysia, 2014



Source: Authors NTA calculation using HIES 2014]



- ❑ Deficit for old age is about 20% of the total deficit
- ❑ Deficit for old age < for young age due to fewer persons in older age categories

## Sources and Importance:

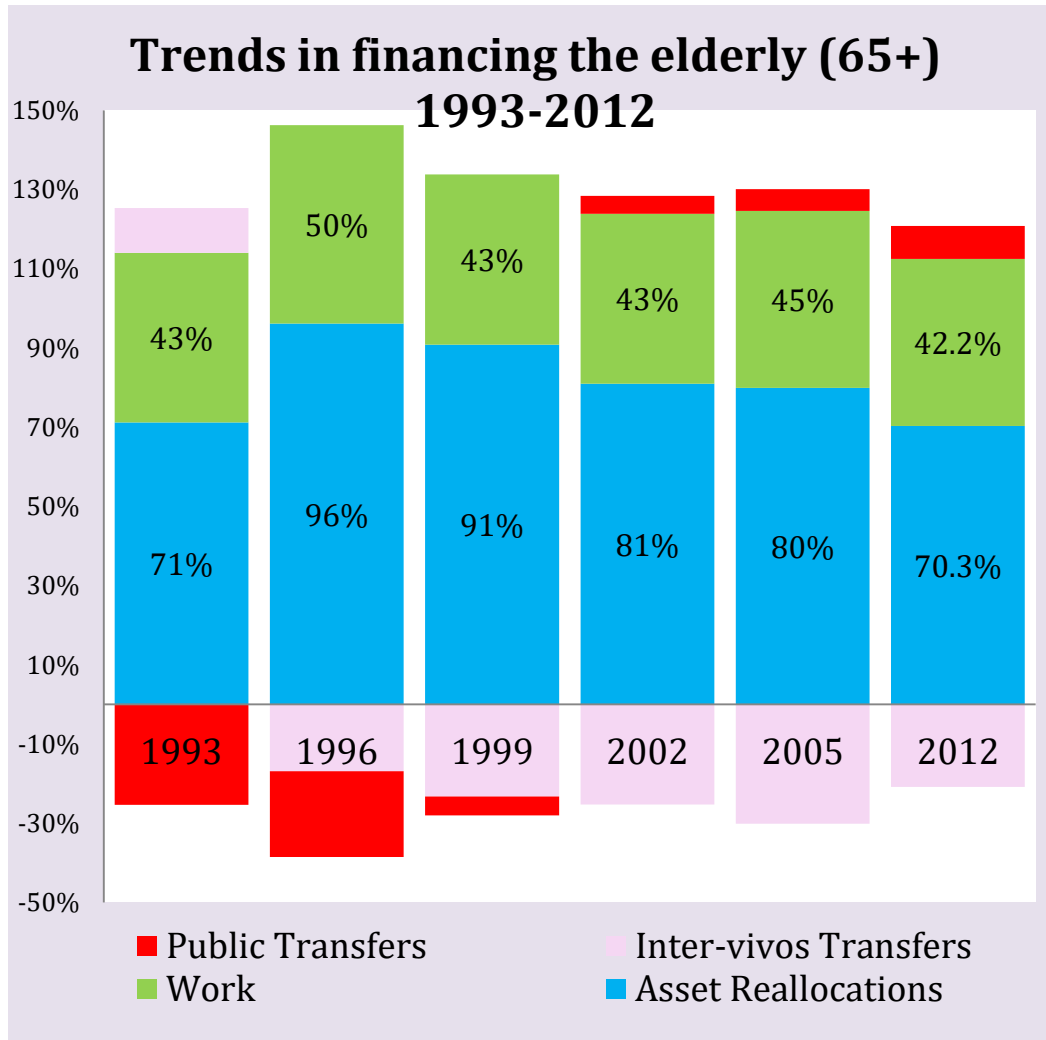
- ❑ OP has multiple sources for financing old age
- ❑ Both TF and TG go almost entirely to young (NOT old)
  - For both 60+ or 65+ -- **public transfer (TG) is the main source of support** – the percentage gets bigger as they get older
  - Older elderly rely on both family (TF) and public (TG) transfers
  - Younger elderly (60+) have three main sources: TG, YL and RA

## Implication:

- Fiscal burden and sustainability, economic growth and ability to secure the second demographic dividend

# Financing old-age deficit, Indonesia, 1993-2012

Over time, elderly (65+) give more to younger generation than they receive



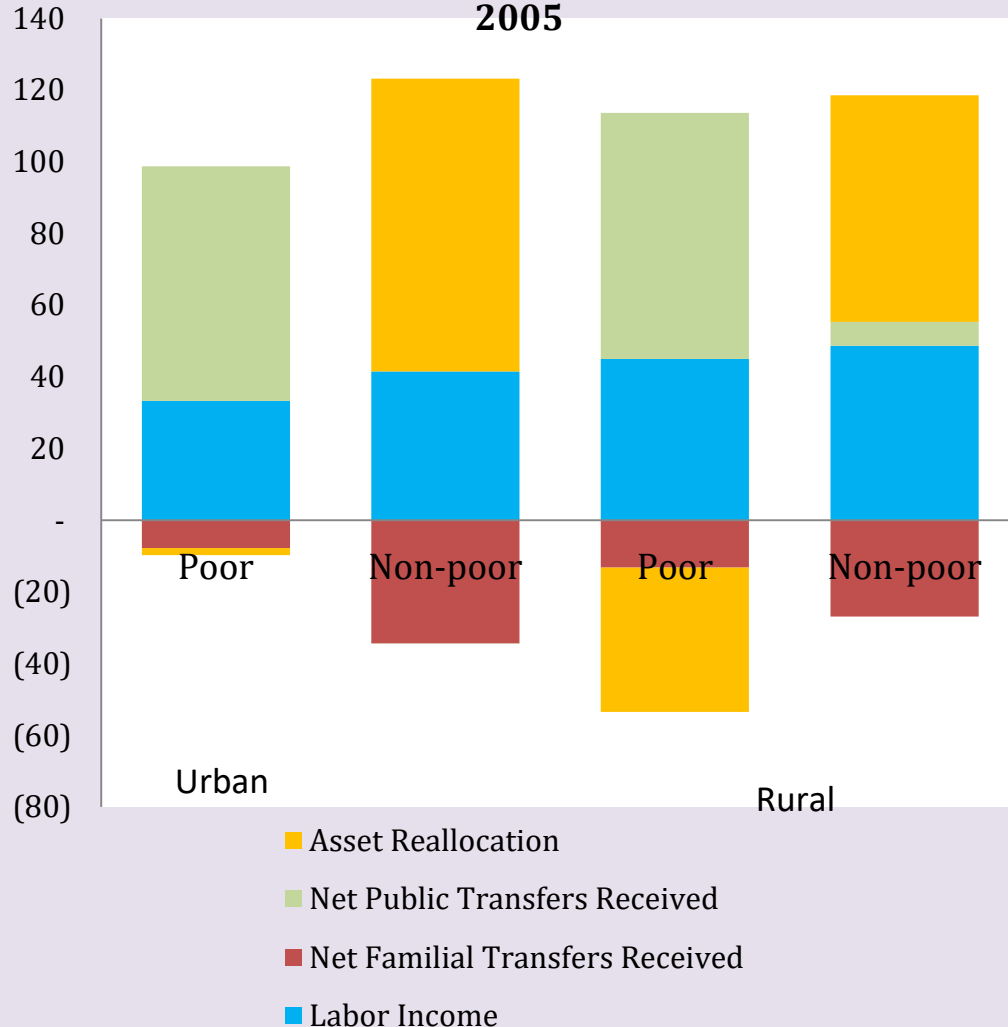
- ✓ Public transfers gradually increase as one of sources to finance elderly consumption.
- ✓ In 2012, public transfers account for about 8% of the elderly consumption
- ✓ There is tendency that the Indonesian elderly gives more to the younger generation, over time
- ✓ Labor income and asset reallocation remain the major sources to support elderly consumption

- Starting from 2015, **Pension Program and Old Age Savings** are mandatory
- The coverage of the program gradually increases over time

# Financing old-age deficit by economic status, Indonesia,

2005

Financing the elderly (65+) by place of residence and economic status, 2005



- Regardless of their economic status, the elderly still need (and/or are able) to work
- Public transfers are important for **poor** elderly in both **urban** and **rural** areas
- Non-poor elderly finance more than one half of their consumption by investments (retirement or old-age savings, or property income)

- Surpluses go to younger generation through familial transfers – regardless of economic status

# Conclusion

- Changing age structure, but Malaysians older and living longer than Indonesians
- **Malaysia:**
  - The old-age deficit in Malaysia was 1/5 of the total deficit
  - Old age is financed through multiple sources, but public transfers is the main source
- **Indonesia:**
  - Elderly transfer resources to the younger generation
  - Old age financing: Non-poor rely on labor income and investment



# Conclusion

- Both countries have implemented initiatives for an elderly-friendly environment.
  - SP system more mature in Malaysia than Indonesia (pension, EPF and PRS; safety net programme), issue of sustainability and coverage
  - In the pipeline Malaysia:-
    - EPF for 1<sup>st</sup> wife, deduct 2% from spouse account and government match
    - New funding models to cater for long-term care needs/ageing society
  - Malaysia: Centralization; Indonesia: Decentralization
- Political will to change

## Special acknowledgement:

Pn. Wan Zaleha, DOSM

Pn. Maizura, DOSM

En. Azizul Ablah, DOSM

En. Sofi, DOSM

TERIMA KASIH/*THANK YOU*

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