Older Persons in Malaysia and Indonesia

Hamid, T. A¹, Sharifah A.H ¹, Maliki ², Hazwan ¹ M.D, Chai, S.T ¹

¹Malaysian Research Institute on Ageing, (MyAgeing™), Universiti Putra Malaysia

²Ministry of National Development Planning/ National Development Planning Agency (BAPPENAS), Indonesia

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:

Source: UN Population Projection 2017,
Malaysia is far older than Indonesia

Source: UN Population Projection 2017,
Financing old-age deficit, Malaysia, 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
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.
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\textsuperscript{st} 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

Email: aizan@upm.edu.my
Email: sh.azizah@upm.edu.my