



Regional Disparity in Indonesia's Demographic Dividend

Maliki

Director for Population Planning and Social Protection

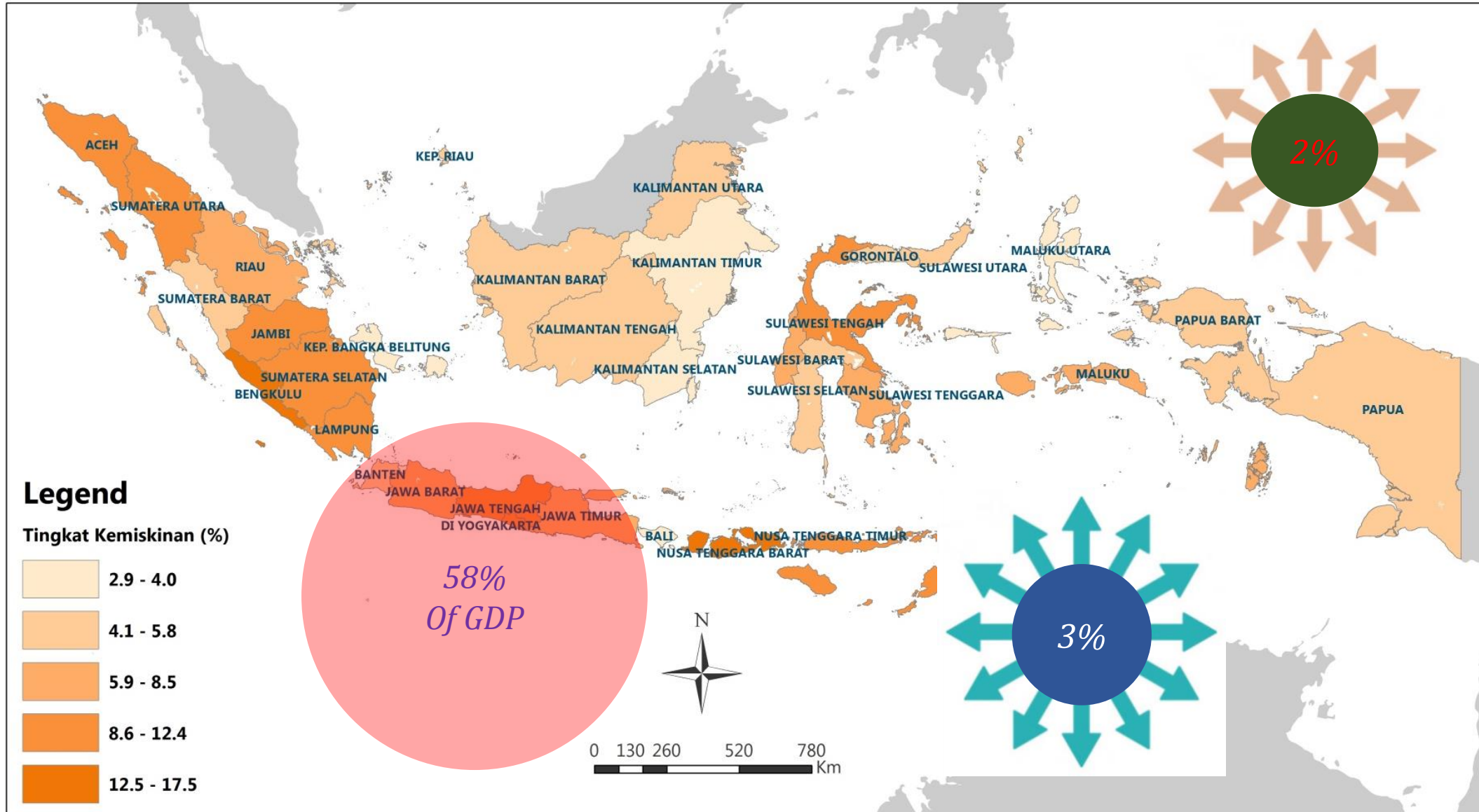
Ministry of National Development Planning/ National Development Planning Agency (BAPPENAS)

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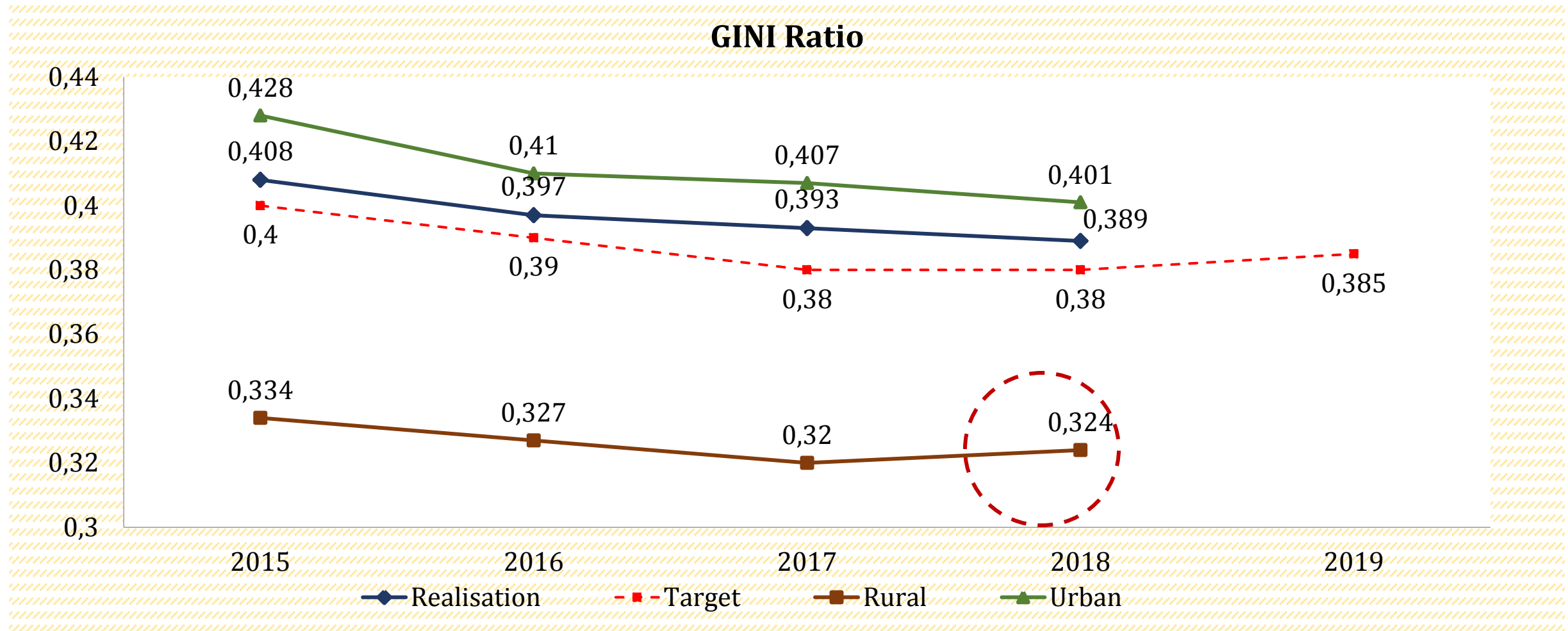
MOTIVATION

Economic contribution of Eastern Indonesia has been stagnant

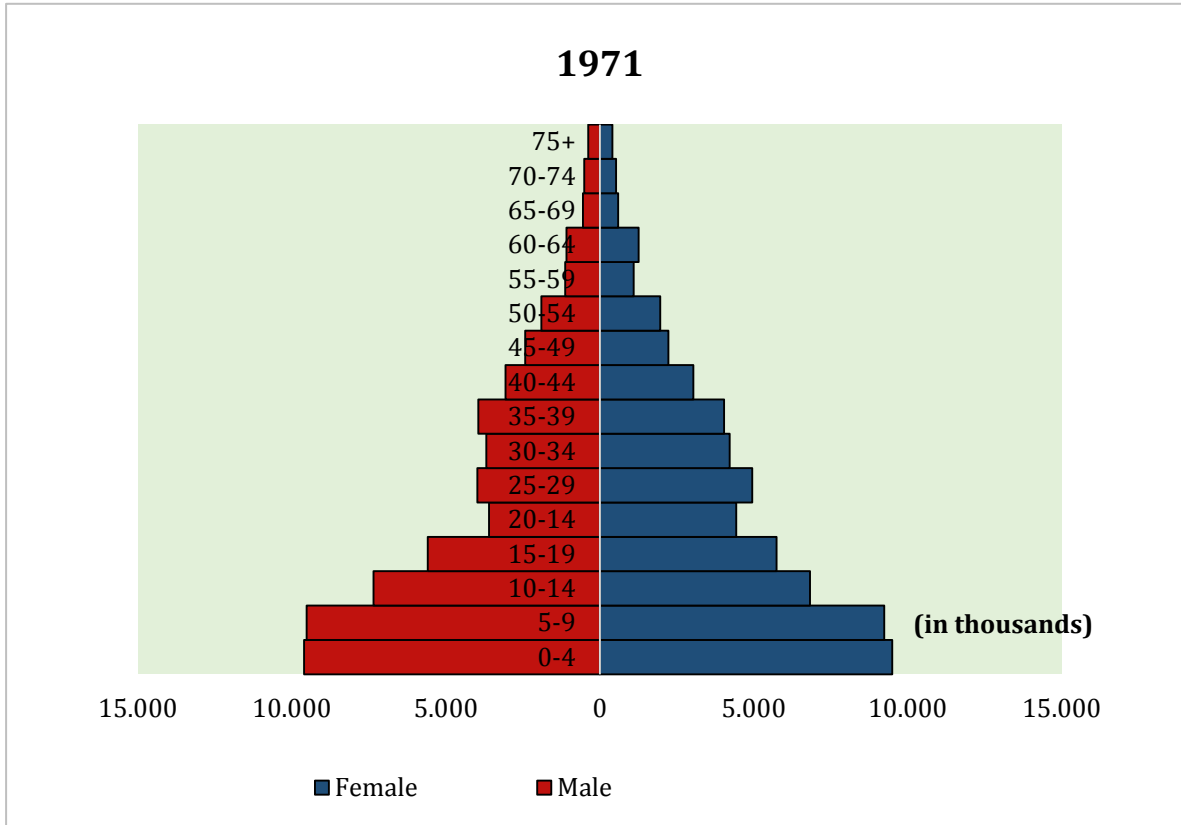


Even though declining, the Gini coefficient is relatively high

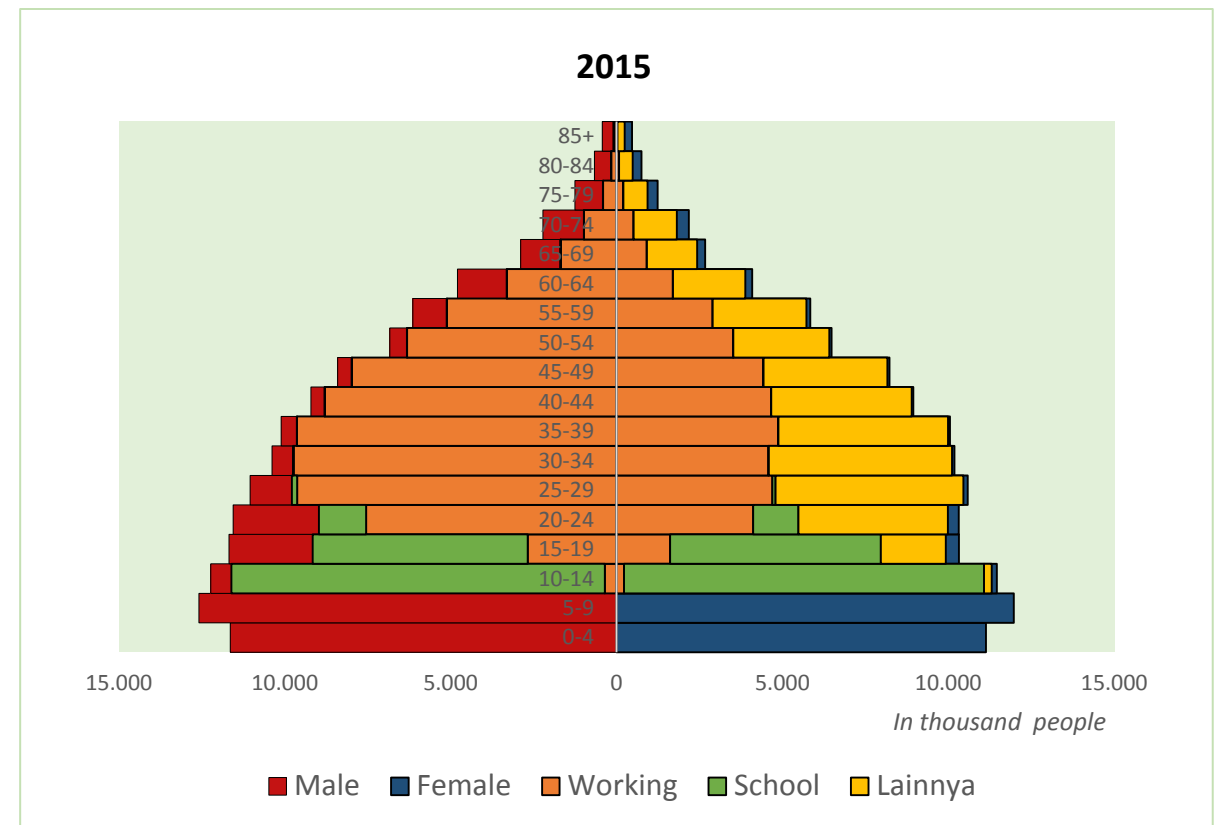
Rising GINI in the rural areas in recent years might be due to increasing TFR amongst the poor, especially in Eastern Indonesia



Indonesia has become the largest productive-age population country in South East Asia

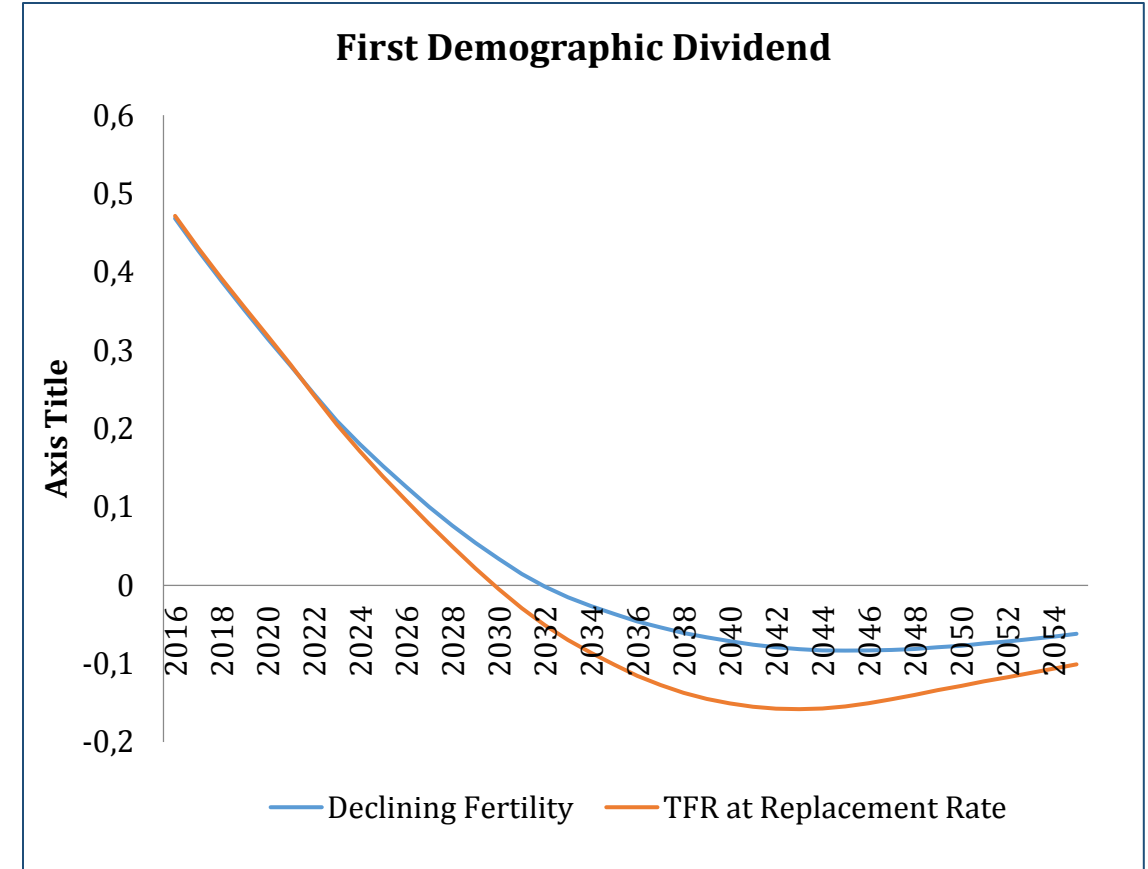
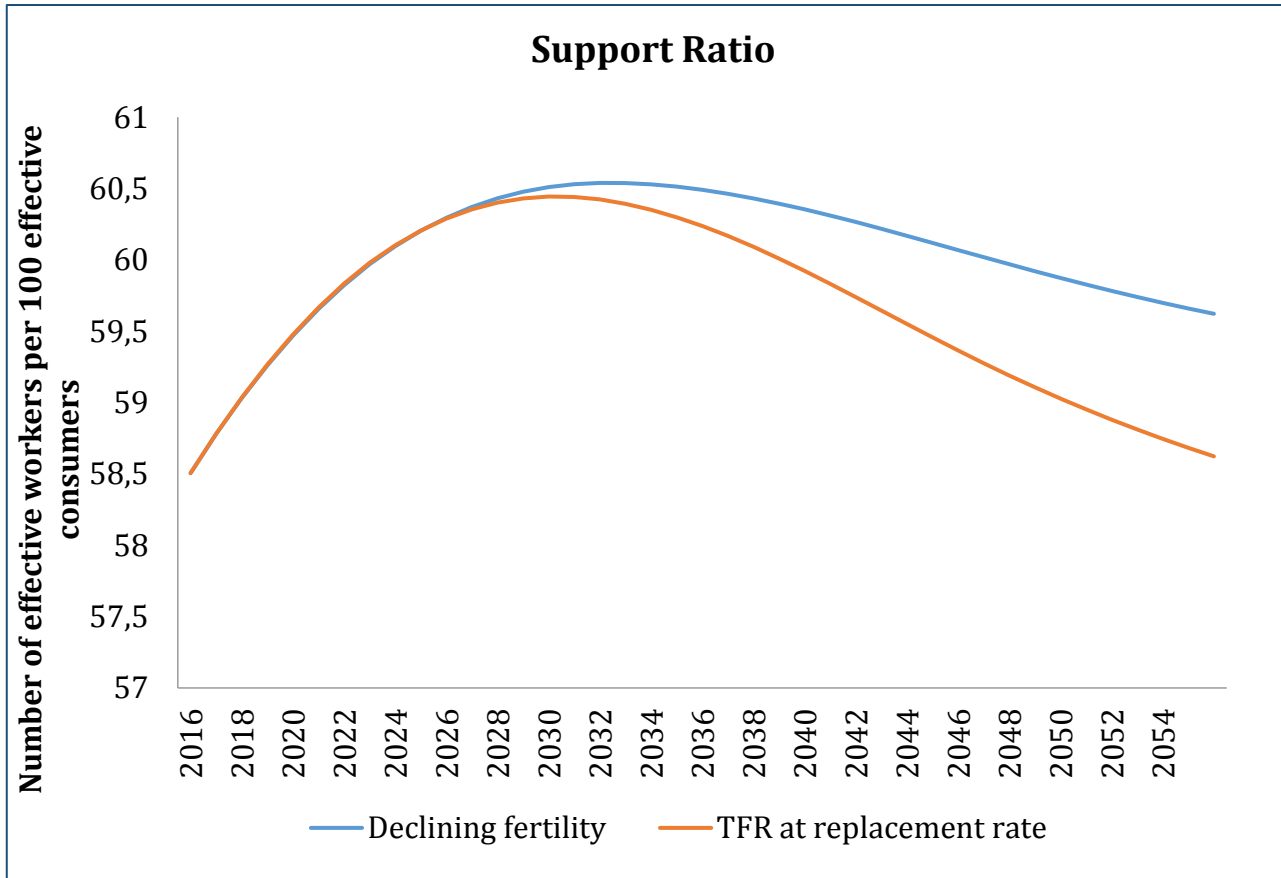


Population	119.2
Life expectancy	million 55.1
Urban population percentage	years 14.6%



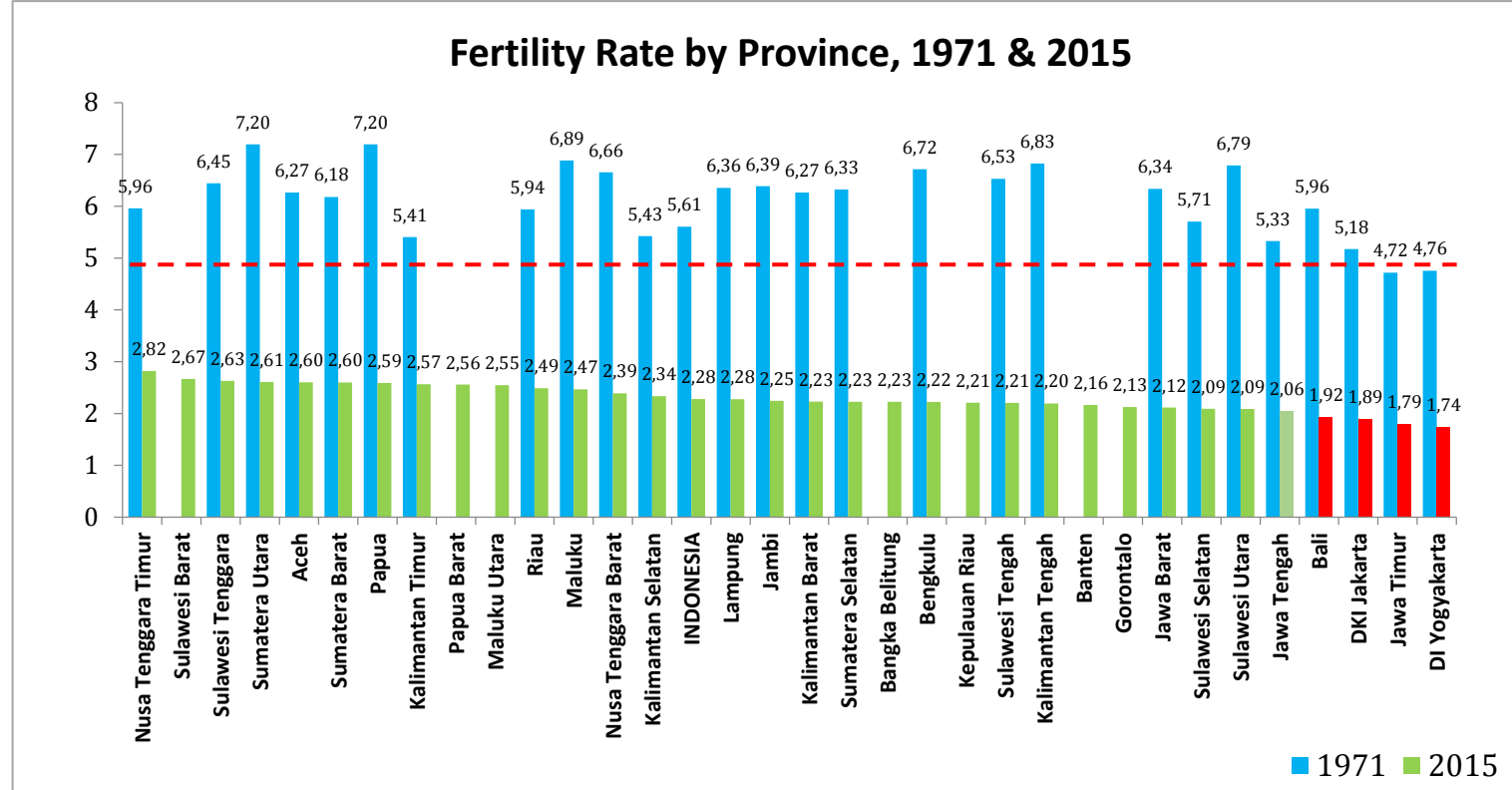
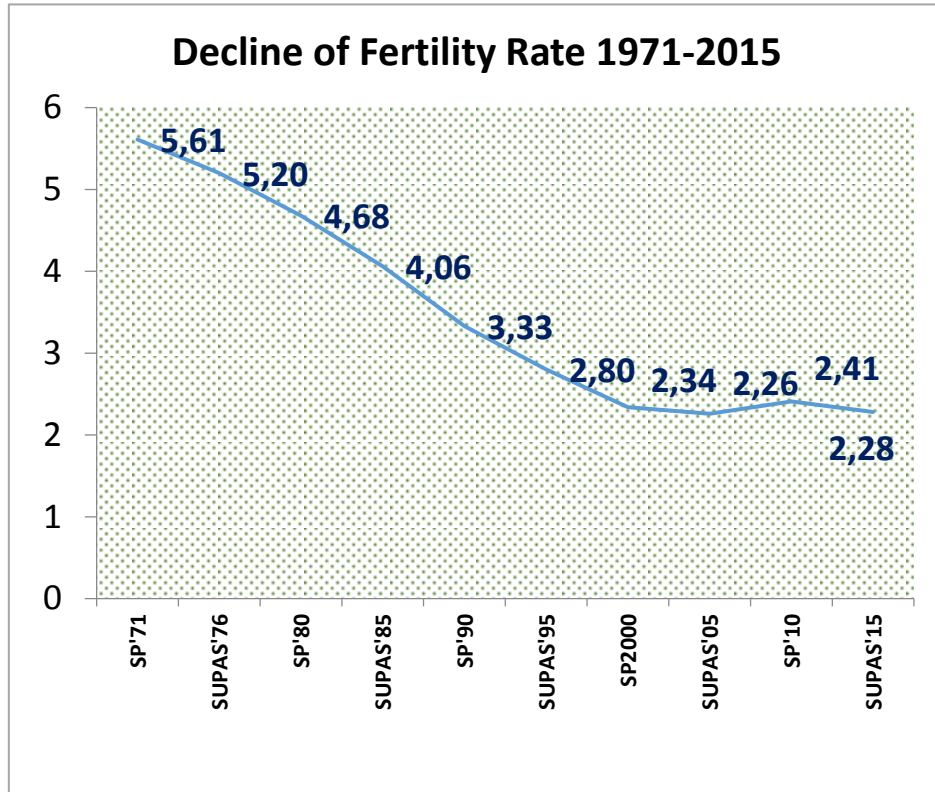
Population	255.1
Life expectancy	million 70.8
Urban population percentage	years 53.1%

First Demographic Dividend will end in the 2030s



- End of first Demographic Dividend is in 2030-2034 where we will have around 60 effective workers to support 100 population
- First Demographic Dividend will potentially contribute approximately 0.2% average per year to economic growth before it becomes negative
- Controlling TFR at replacement rate in the future is shortening the demographic dividend period

Large variation in TFR among provinces



- *Keluarga Berencana* (KB) in Indonesia is acclaimed as the **best family planning program** in the world
- KB managed to **reduce the fertility rate by nearly one half** in a relatively short period
- Yet some provinces still had high TFR in 2015, and there is an indication that the TFR increased in the past two years
- Large differences in TFR divide the provinces into four types of demographic transition: Late, early, pre-transition, and uncertain

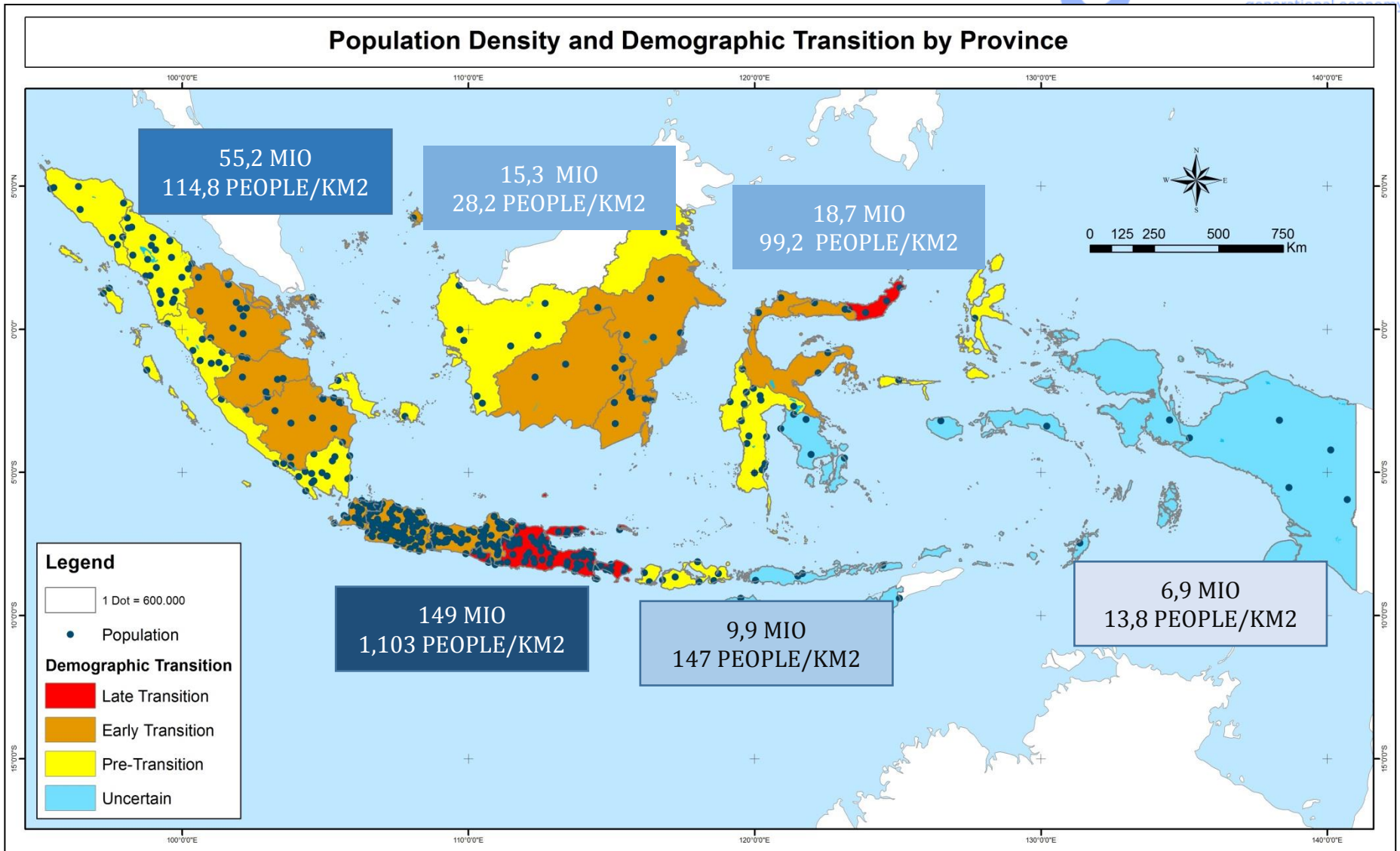
Uneven population distribution and demographic transition

Late transition
Below-replacement rate TFR, large share of older population, window of opportunity has passed

Early transition
Increasing share of children and working population, older people start to increase

Pre-transition
stagnant declining fertility, later period of window opportunity

Uncertainty to reach the window of opportunity
High fertility, high mortality, low access to education and health



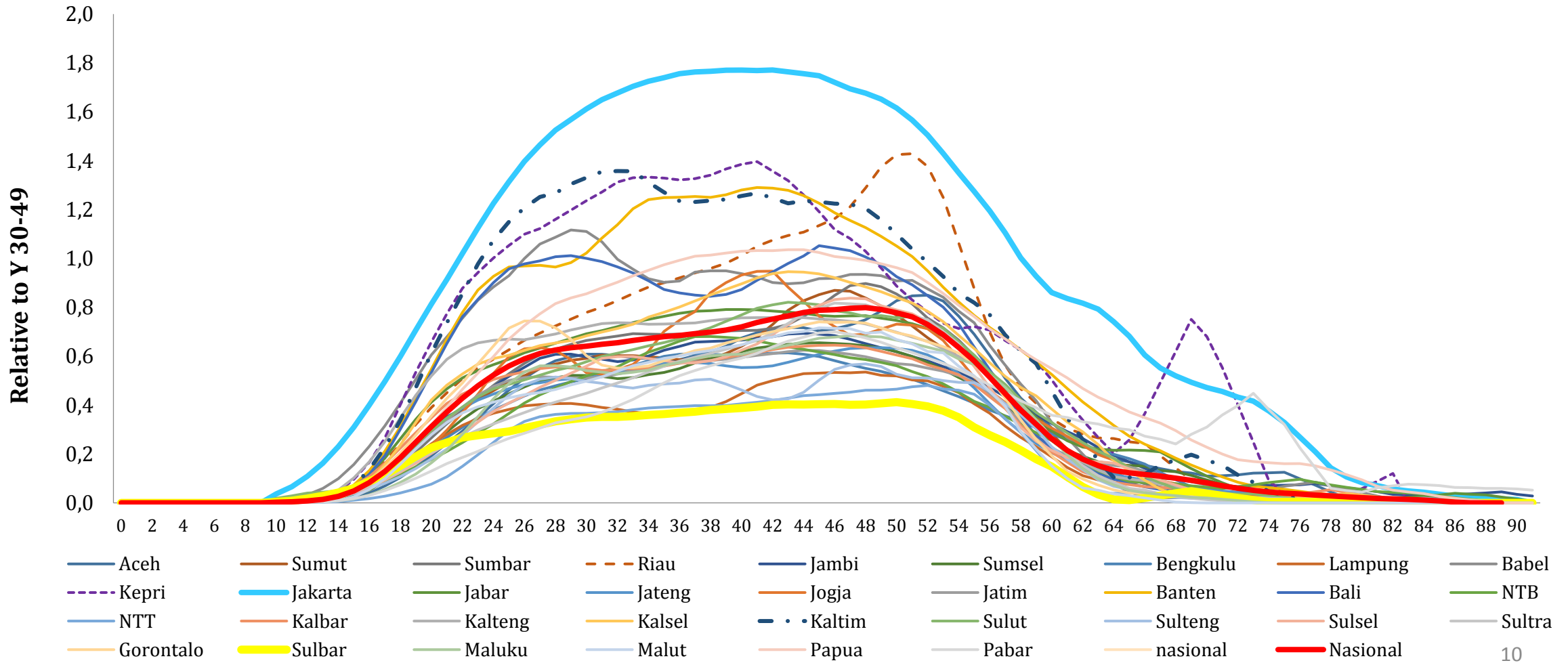
Research questions

- How far does disparity occur among the regions?
- Why is it unequal?
- What are the consequences?
- What should we do about it?

- Using the 2012 NTA to analyze the disparity in:
 - Labor income share
 - Demographic dividend
- Policy implications

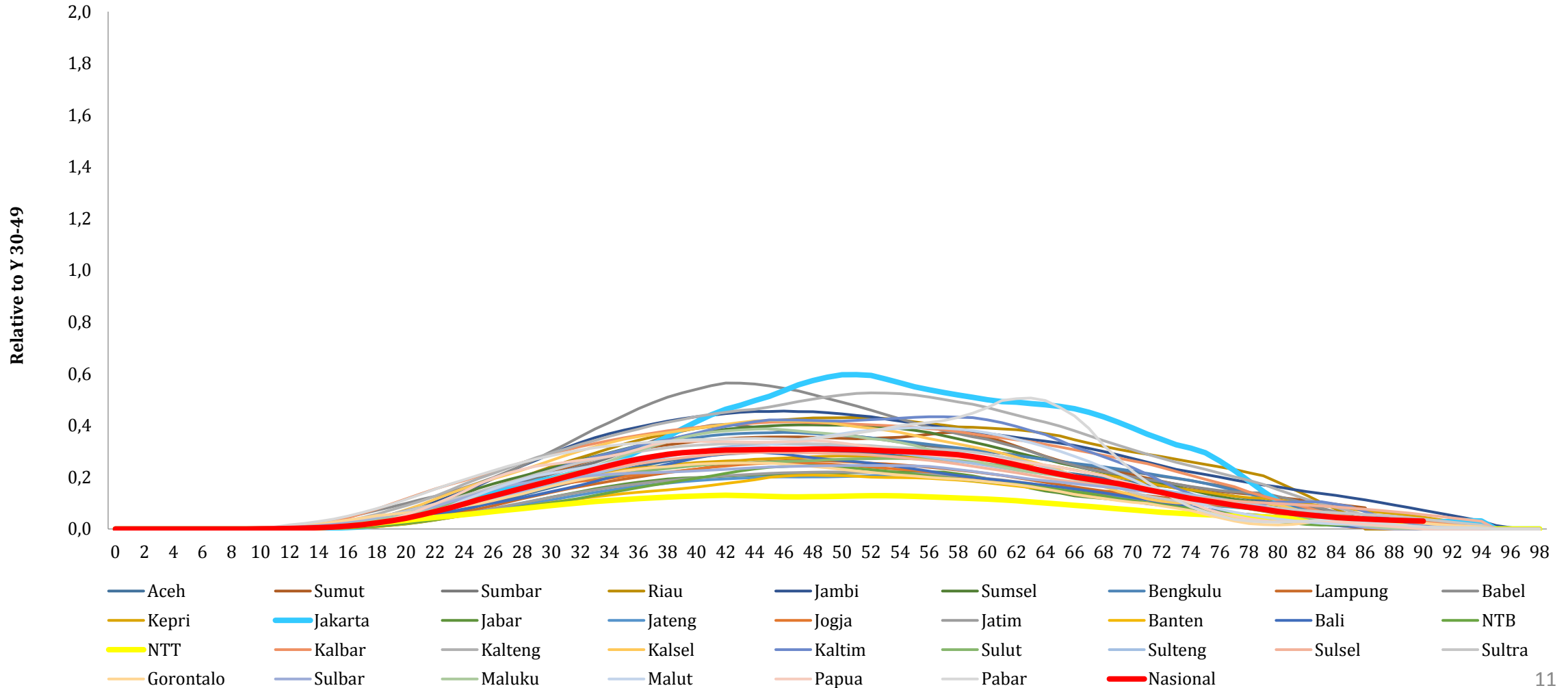
- Higher performers mostly in provinces with economy centers: Jakarta has the highest earnings
- Some provinces have earning profile with a short peak
- Other provinces have lower earnings

Earnings Per Provinces, Relative to Y 30-49

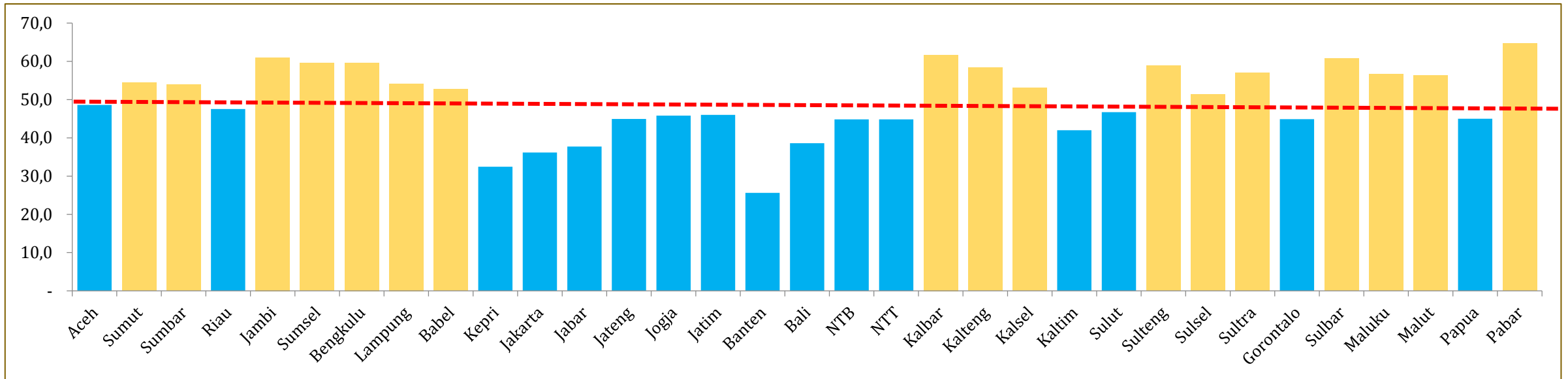


- Jakarta has the highest self-employed income but drops at an earlier age
- The other provinces have more substantial self-employed income at older ages

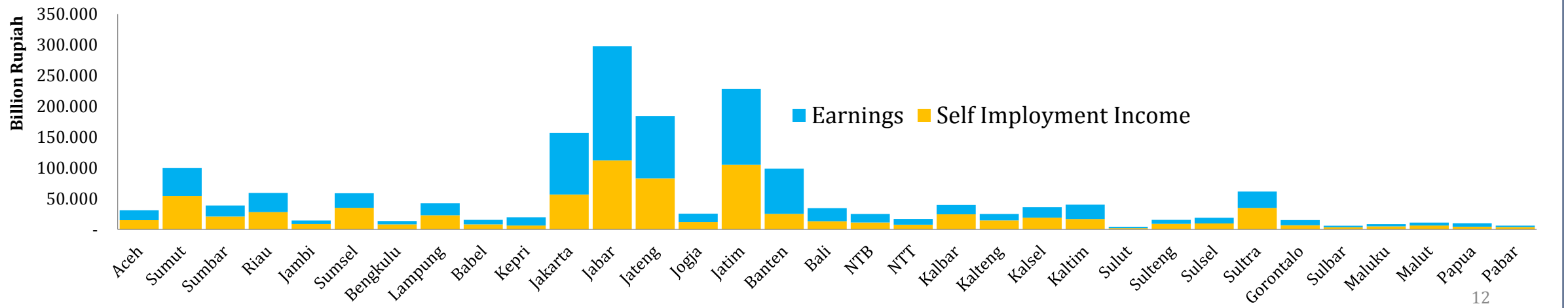
Self-Employed Income by Province, Relative to Y30-49



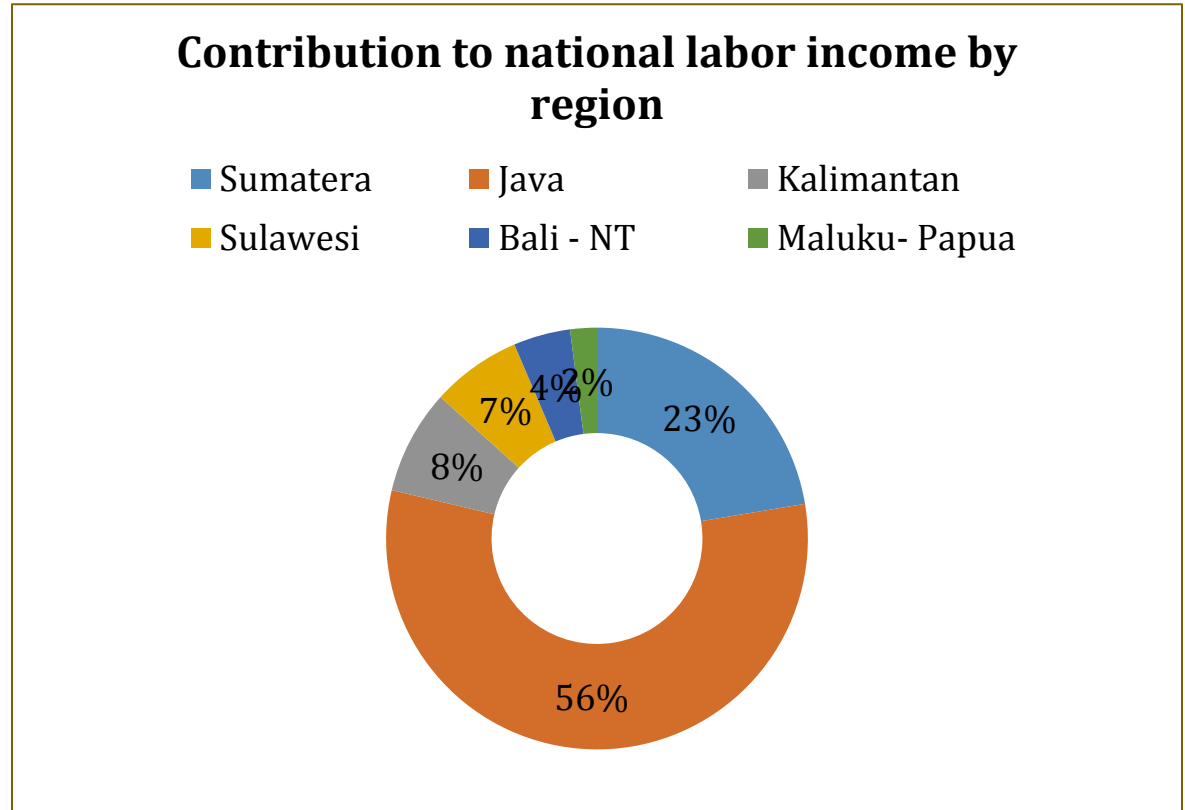
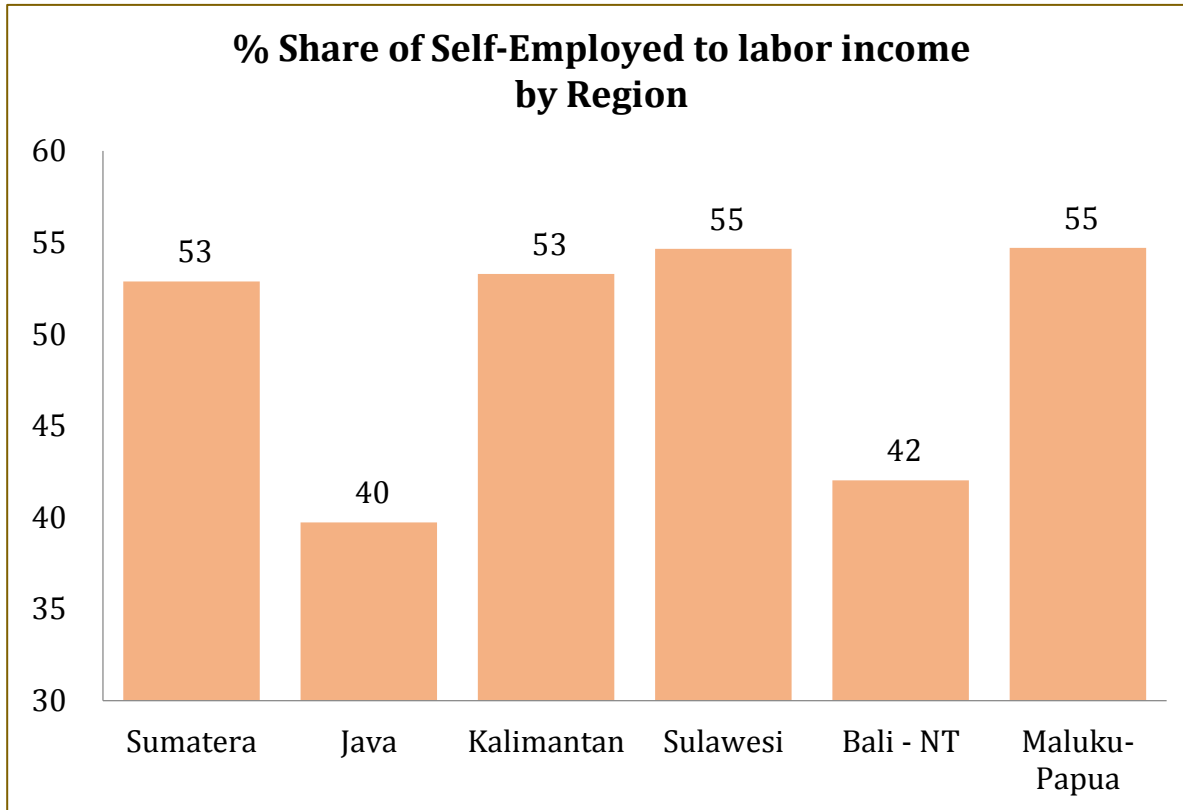
Half of the provinces, all outside Java, rely heavily on self-employment income



Labor Income, NTA (Billion Rupiah)



Contribution of labor income by region



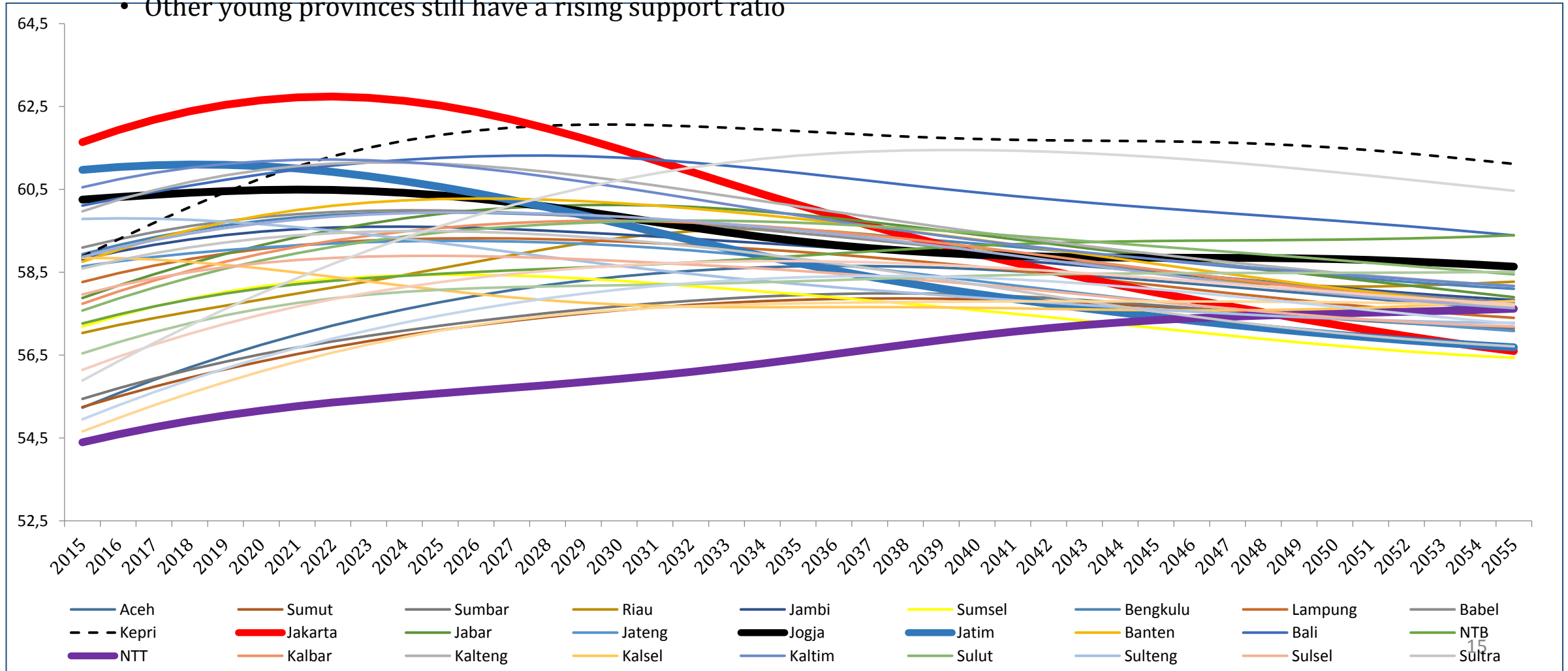
- Only Java and Bali-NT have less than 50%
- Overall, total contribution of labor income is 56% from Java and only 4% from Bali – which also has lower self-employed income
- The other islands, Sumatera, Kalimantan, and Maluku-Papua, have bigger potentials to improve their contribution of self-employed income to total national labor income.

Why is it unequal? and what are the consequences?

- Demography
- Productivity
- Migration (international and inter-regions)
- Growing informality
- Less development in Eastern Indonesia

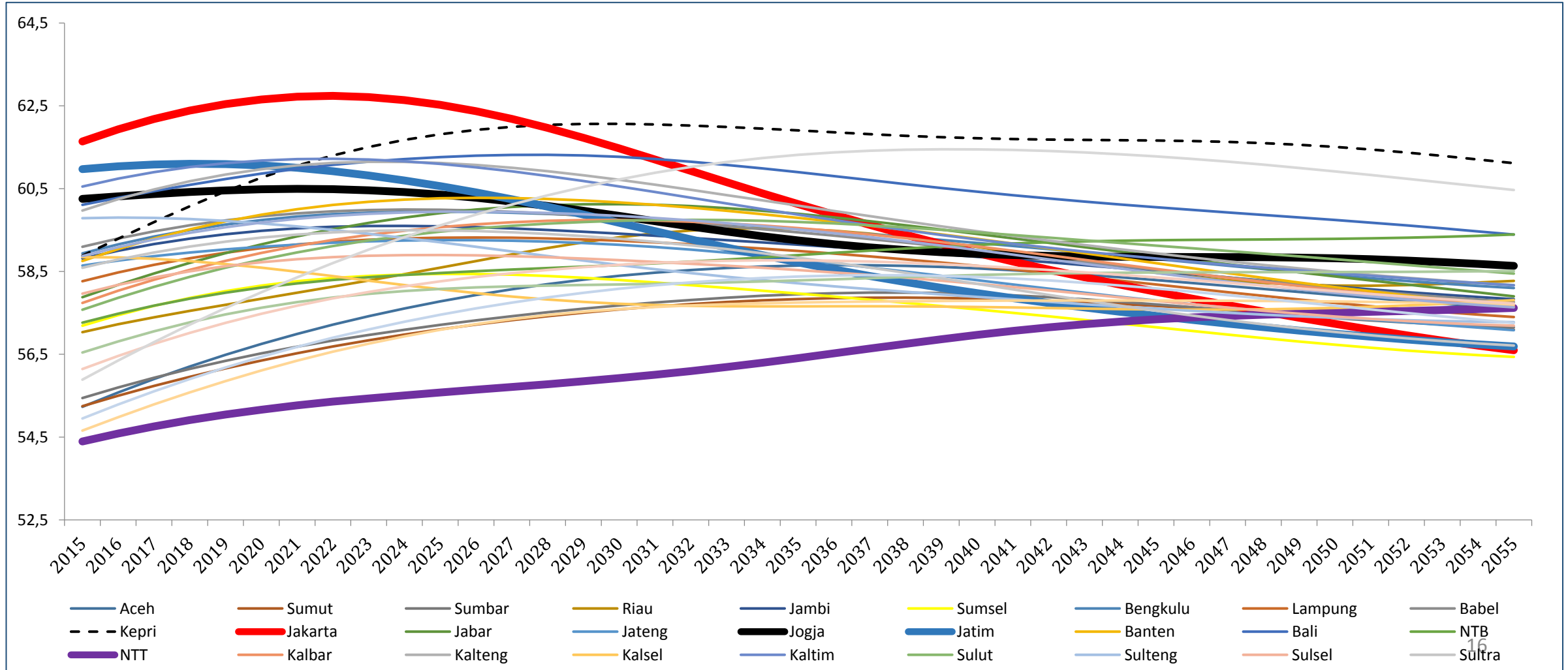
Converging economic support ratio

- The ageing provices (late transition) have declining economic support ratio
- Other young provinces still have a rising support ratio

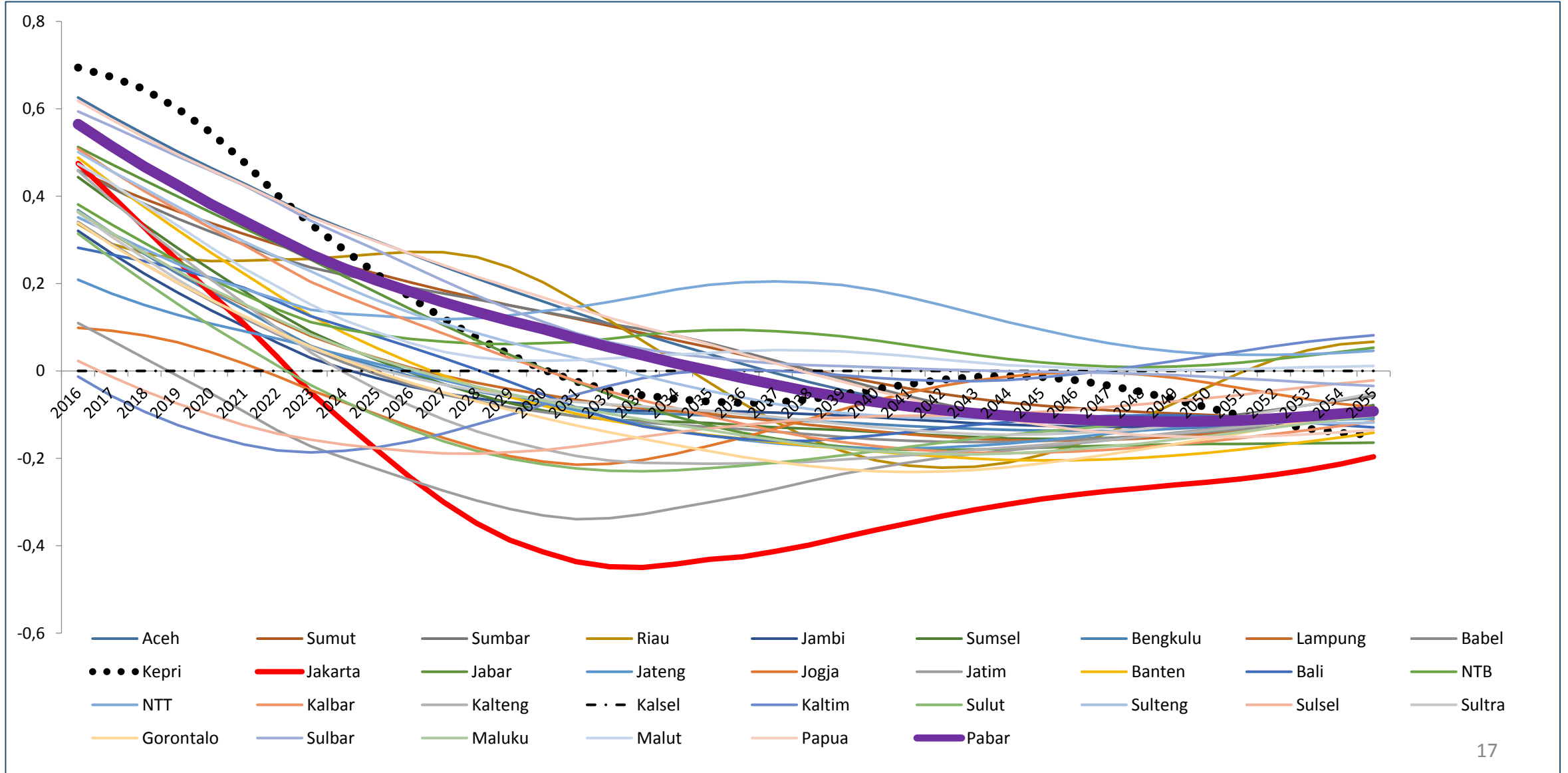


Converging economic support ratio

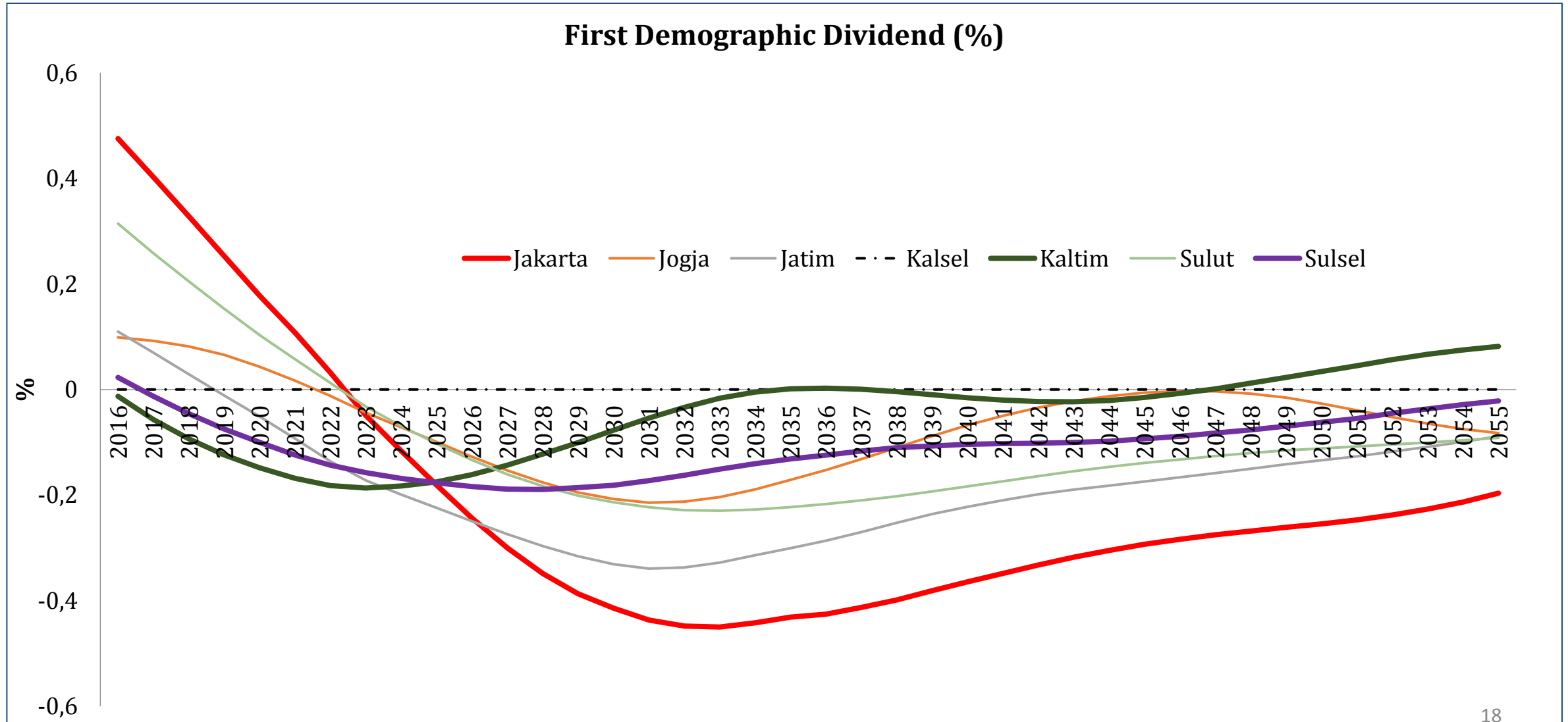
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First Demographic Dividend

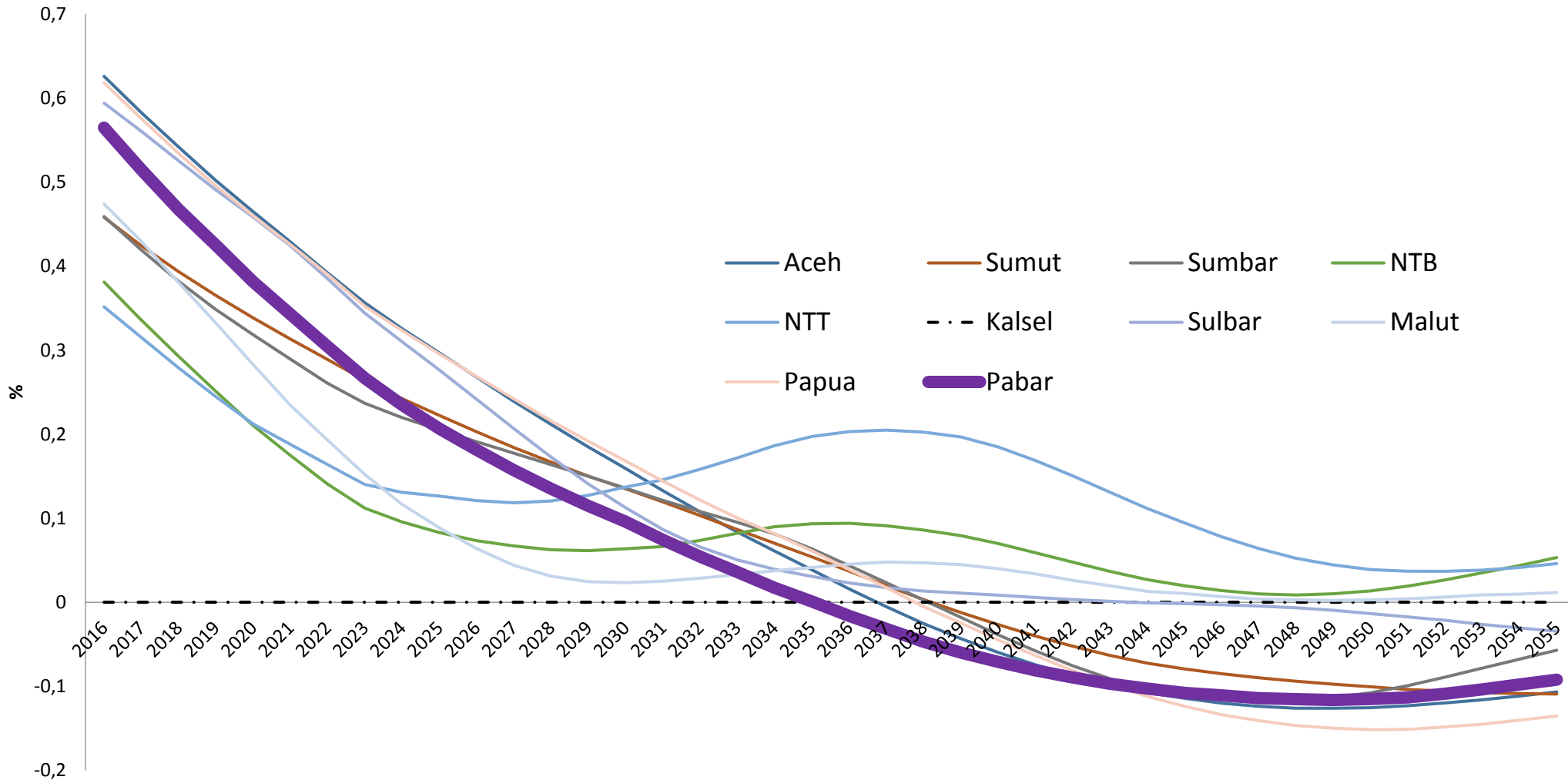


Late-Transition Provinces – First demographic dividend has passed or will finish soon

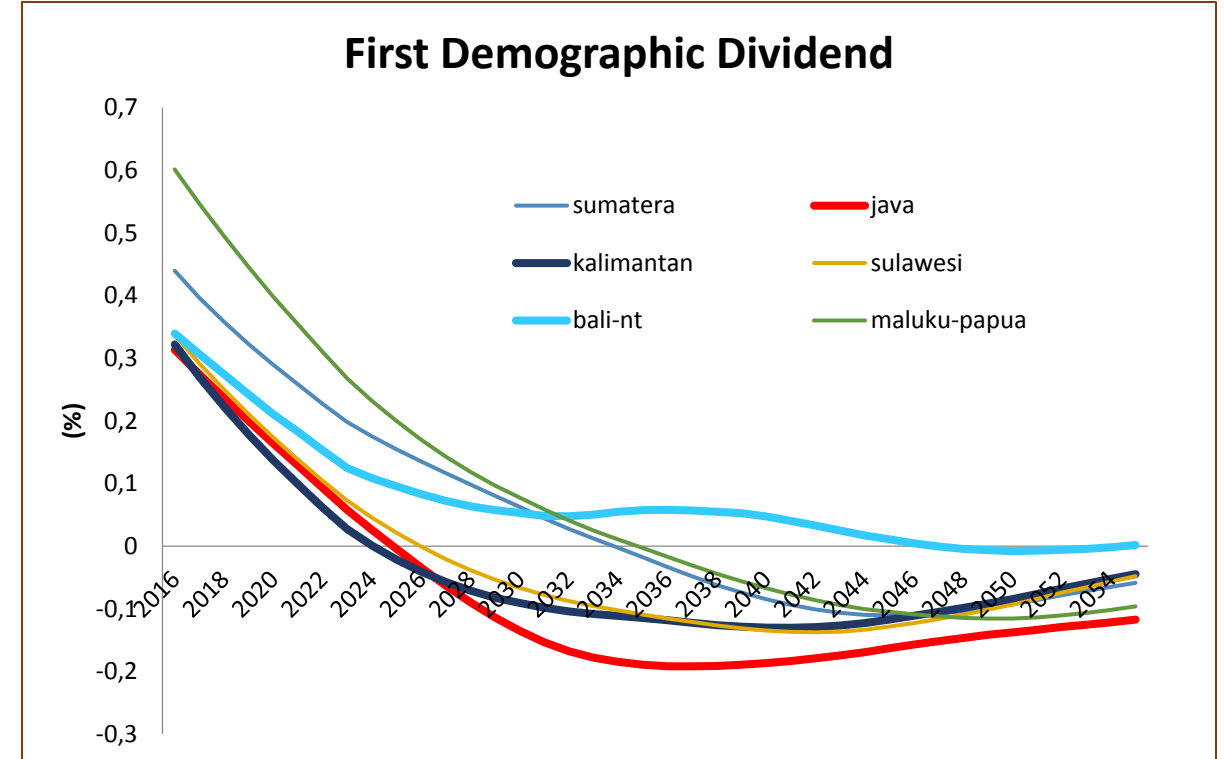
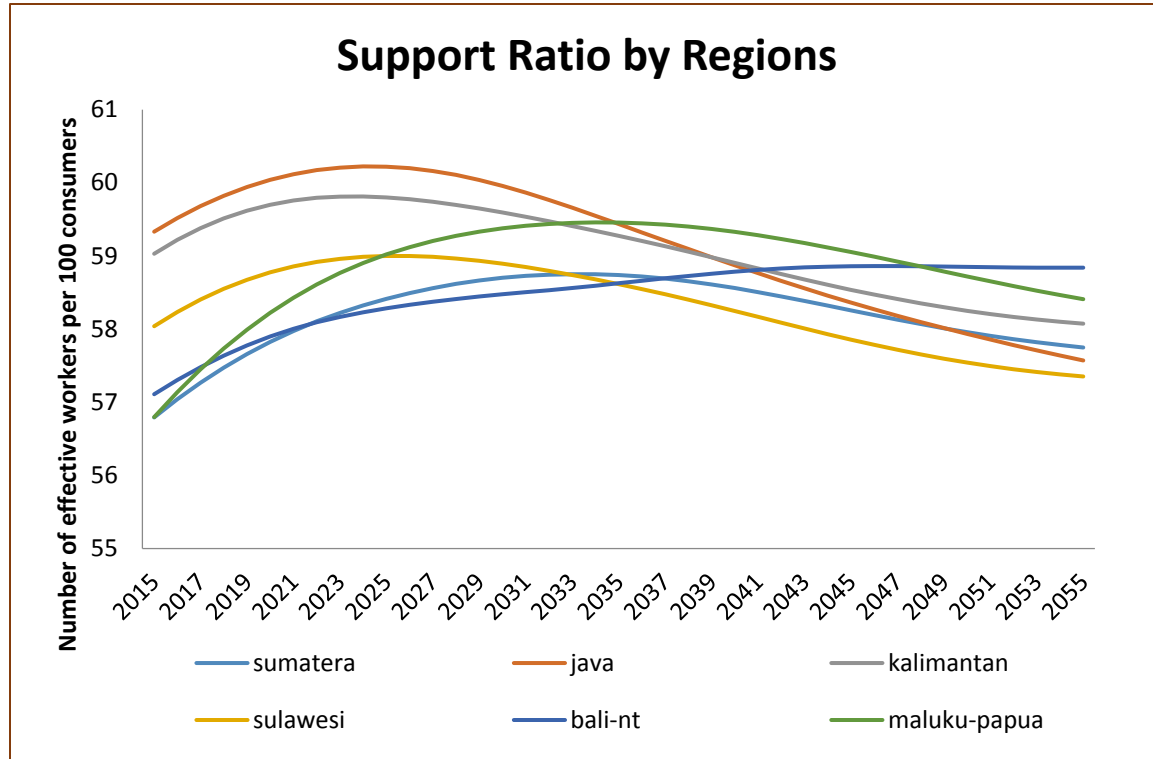


Young provinces will potentially reap the benefits for another 20 years

First Demographic Dividend



The first demographic dividend will end soon in Java, Kalimantan, and Sulawesi



	Nasional	Sumatera	Java	Kalimantan	Sulawesi	Bali-nt	Maluku-papua
End Year	2031	2033	2024	2024	2025	2046	2034
Peak of Support Ratio	60,1	58,7	60,2	59,8	59	58,9	59,4
% average							
2015-2035	0,17	0,17	0,01	0,02	0,05	0,13	0,23
2035-2055	-0,07	(0,08)	(0,16)	(0,10)	(0,11)	0,02	²⁰ (0,09)

Future Work Leading to Policy Recommendations

- Incorporate production and consumption for each province and region and analyze the effect of productivity on the demographic dividend
- Analyze the demographic dividend calculation more deeply to provide policy implications by region
 - Human capital development to improve productivity
 - Potential of savings and asset accumulation (2nd demographic dividend)
 - Link between the second demographic dividend and the new pension system
- Incorporate the implications for policy formulation for medium-term development, 2020-2024, in special chapters on the demographic dividend



Thank you