

# Conditions and Perceptions of Indonesian Elderly About Old Age Income Security

*2021 exploratory study results*

*Roundtable discussion on pension reforms in  
Indonesia, ILO, Jakarta, The Westin, 20 July 2022*

*Prof. Sri Moertiningsih Adioetomo  
LD Researcher and Professor Emeritus of FEB UI*

## General findings

- The search for income security for the elderly turns out to be quite extensive.
- It is not only about the current condition of the elderly, but is also closely related to their previous employment history and general employment conditions.
- Before stop working/retiring, did they have a decent job, decent income, savings or investment to prepare for an adequate living when they retire?
- Or during their employment, did they only have a meager income just to meet their needs of life?
- And is there an adequate social protection system in place?

## Old age income security is:

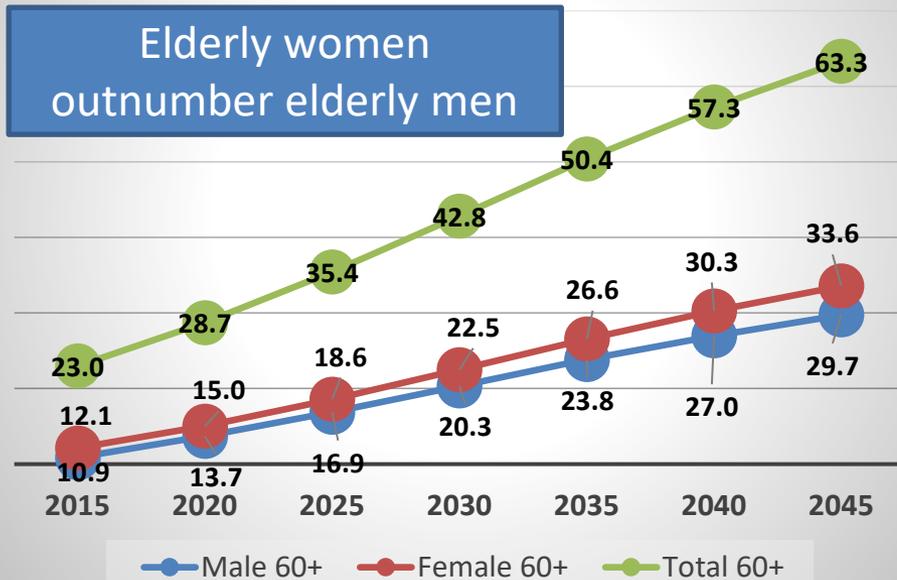
All related to the level of income (absolute or related to the fulfillment of needs), assurance about income and the adequacy of current needs or perceptions of increasing or decreasing income in the future. Whether it is related to a person's life when they are old and unemployed, or to a disability (ILO 2000, Henry and Golman 2021)

- *(those related to income level (absolute or relative to need), assurance of receipt and expectation of income adequacy now, expectation of improvement or deterioration in the future, both during a person's life and in old age or disability retirement (see also Henry and Golman 2021 )).*

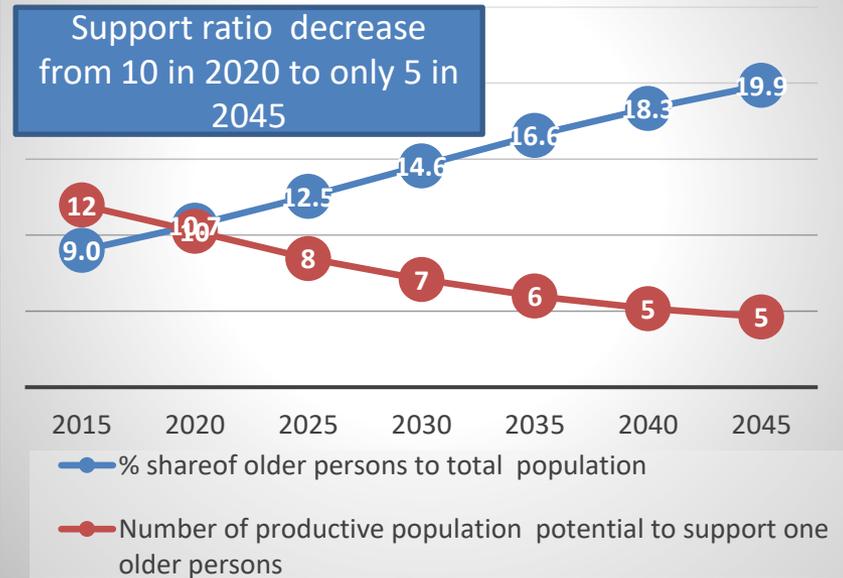
# Current condition of the elderly in Indonesia (2020)

# Projection: The Increased number of the elderly will decrease the ratio of the number of workers to the number of the elderly (*support ratio*)

Trend of increased number of the elderly (m) 2015-2045

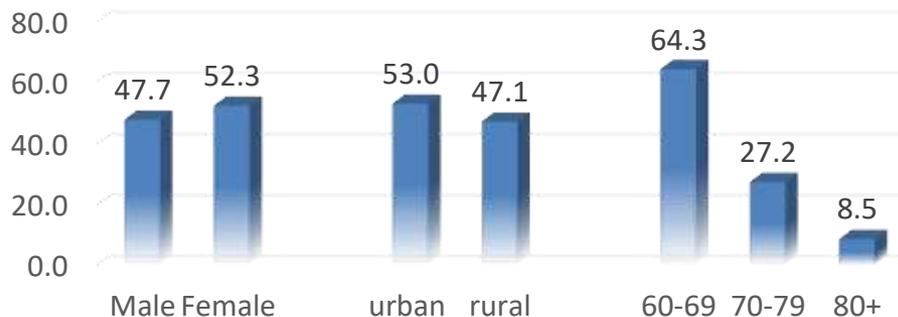


Percentage of the elderly increase but the support ratio decrease, 2015-2045

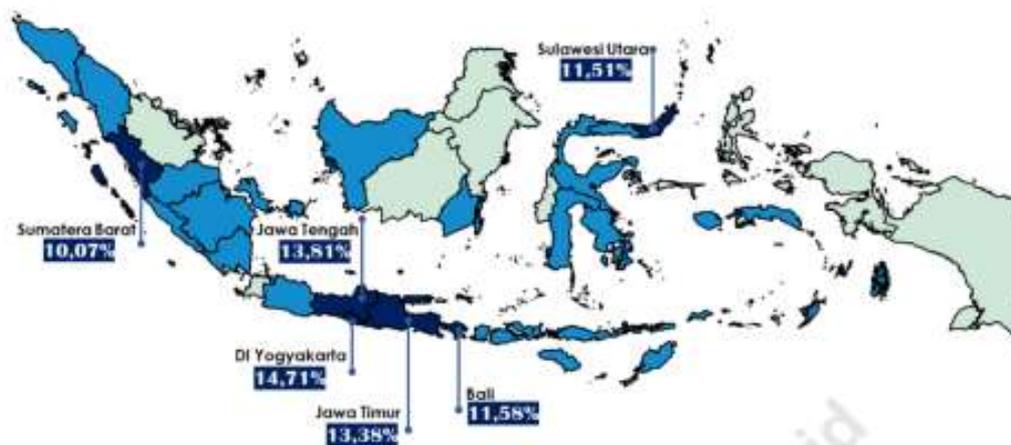


Source: Population Projection 2015-2045

## Number of elderly is still dominated by young elderly, elderly women, urban elderly 2020



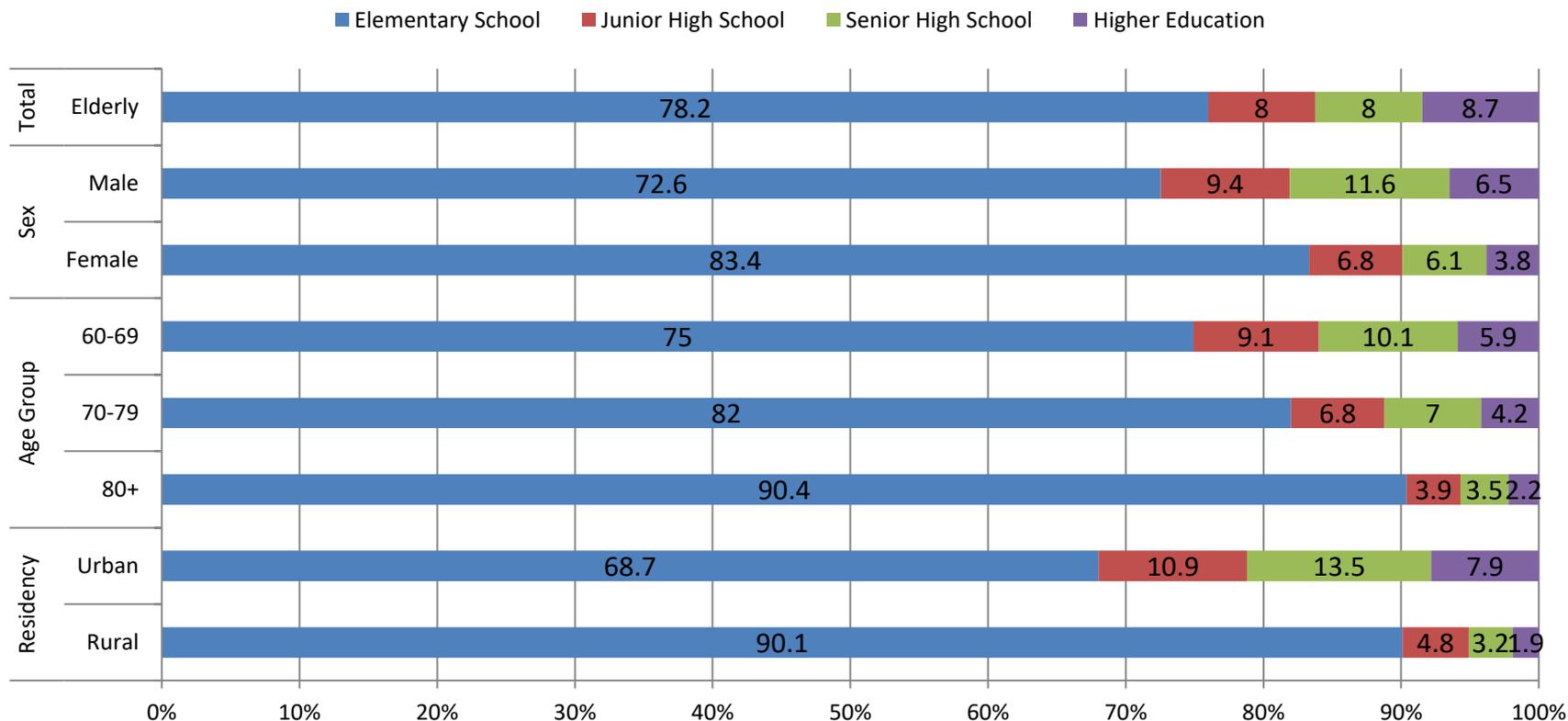
The population of Yogyakarta, Bali, East Java and Central Java, West Sumatra and North Sulawesi is aging (>10%)



Source: Copied from  
BPS: Statistik Lansia  
2020

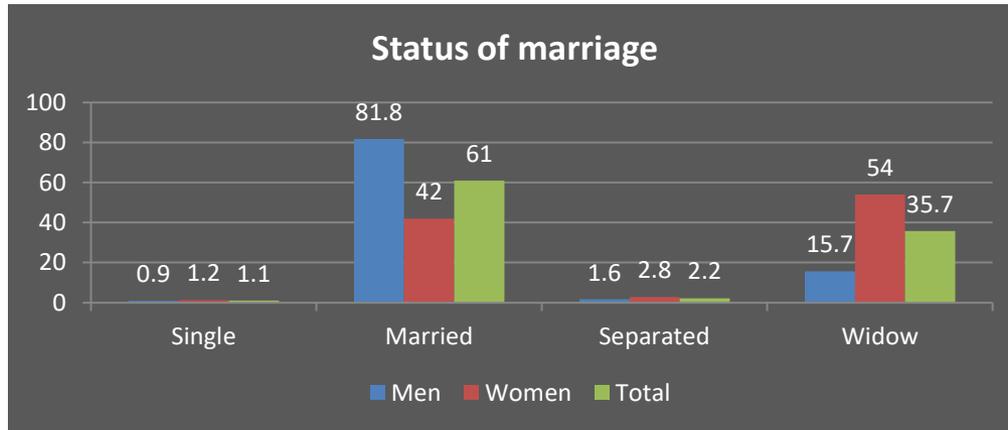
Sumber: BPS, Susenas Maret 2020

# The education of the current elderly is generally low, the future elderly will be better educated

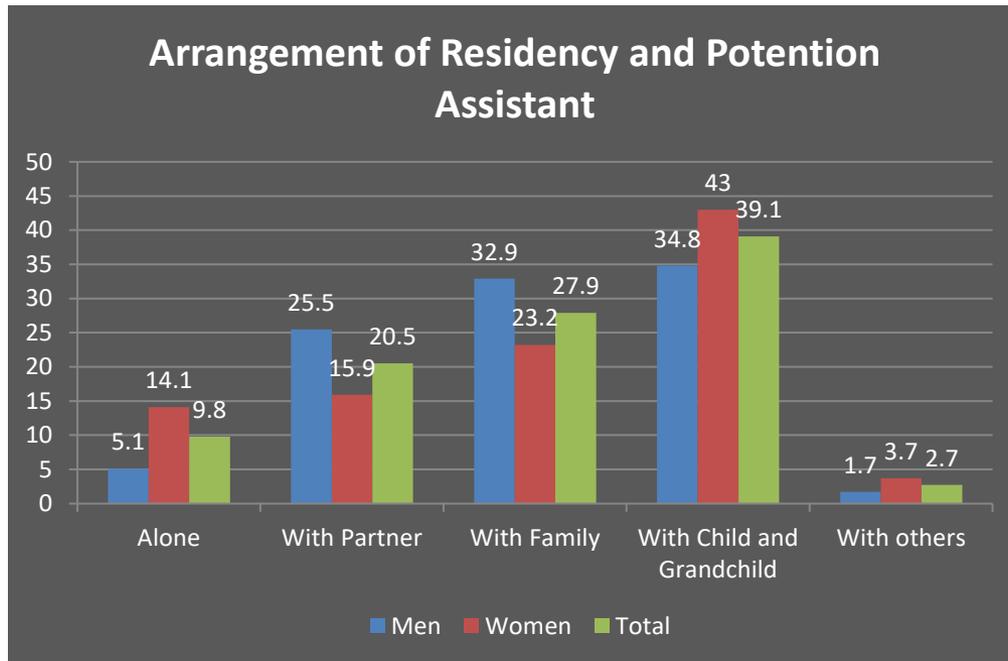


It is necessary to prepare yourself to be a financially independent elderly. Do you have JHT?

# Still married? Live with whom? Is there a potential for elderly companions?



- Elderly men tend to be married (81%)
- Elderly women remain widowed (54%)



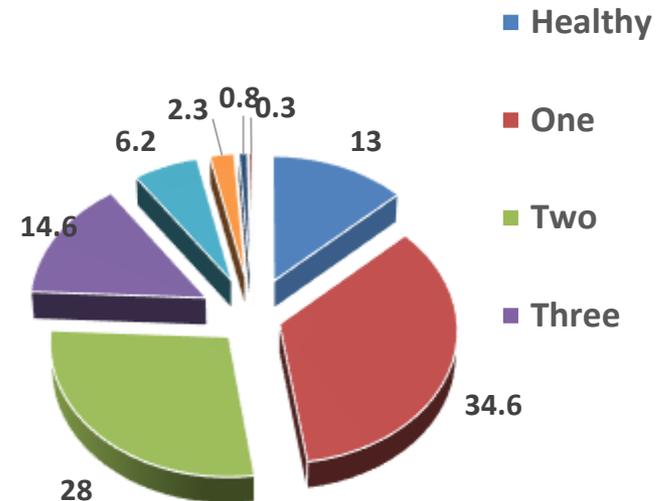
- 14,1% of elderly women and 5,1% of elderly men live alone
- 43,0% of elderly women and 34,8% of elderly men live with their children and grandchildren
- 25,5% of elderly men and 15% of elderly women live with their partners
- 32,9% of elderly men and 23,2% of elderly women live with their families

# Non-communicable diseases and comorbidities increase health care costs

Prevalence of patients with non-communicable diseases (%). Riskesdas 2018

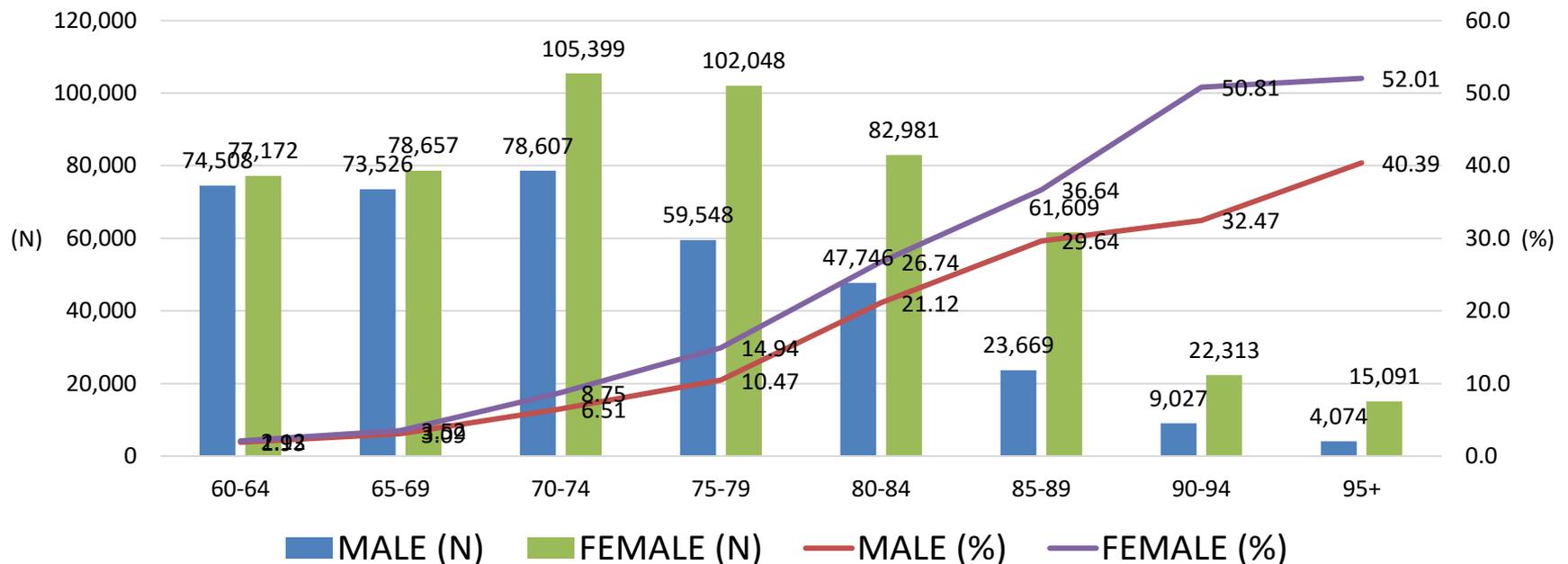
Type of Disease	Age group		
	55-64	64-74	75+
Hypertension	55.2	63.2	69.5
Stroke	3.2	4.5	5.0
Diabetes mellitus	15.6	15.1	13.6
Arthritis	11.5	18.6	19.0
Heart Disease	3.9	4.6	4.7
Mental/ Emotional	11.0	12.8	15.8
Depression	6.5	8.0	8.9
Cancer	0.5	0.4	0.4
Kidney failure	0.7	0.8	0.8

More than half of our elderly suffer from more than one disease-comorbidity



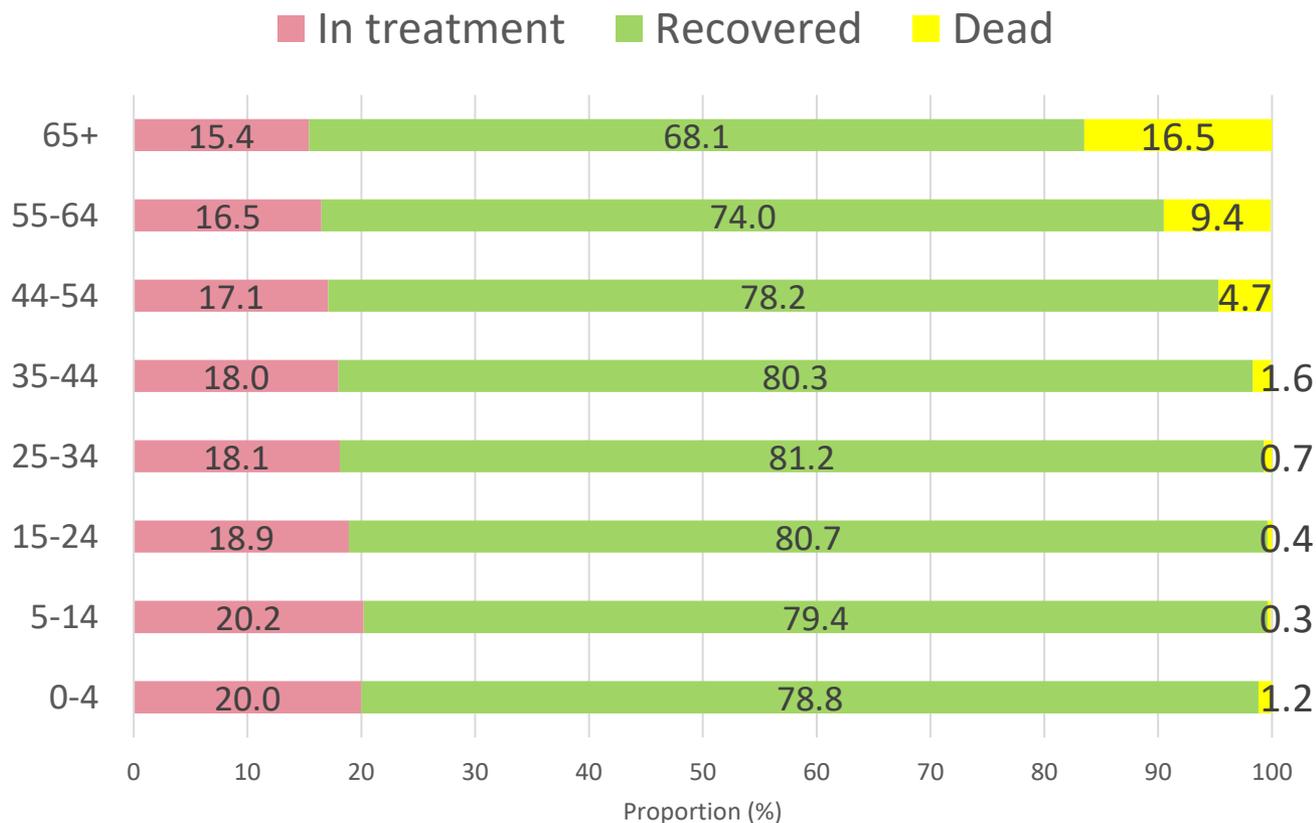
# Nearly half of the elderly, men and women, are with disabilities, 2020

Number and % of the elderly with disability, by age and sex, Indonesia, SUSENAS 2020



Who will take care of them? Do their families have sufficient funds for health care and daily living?

## Death due to COVID-19 (highest % of elderly patients who died)



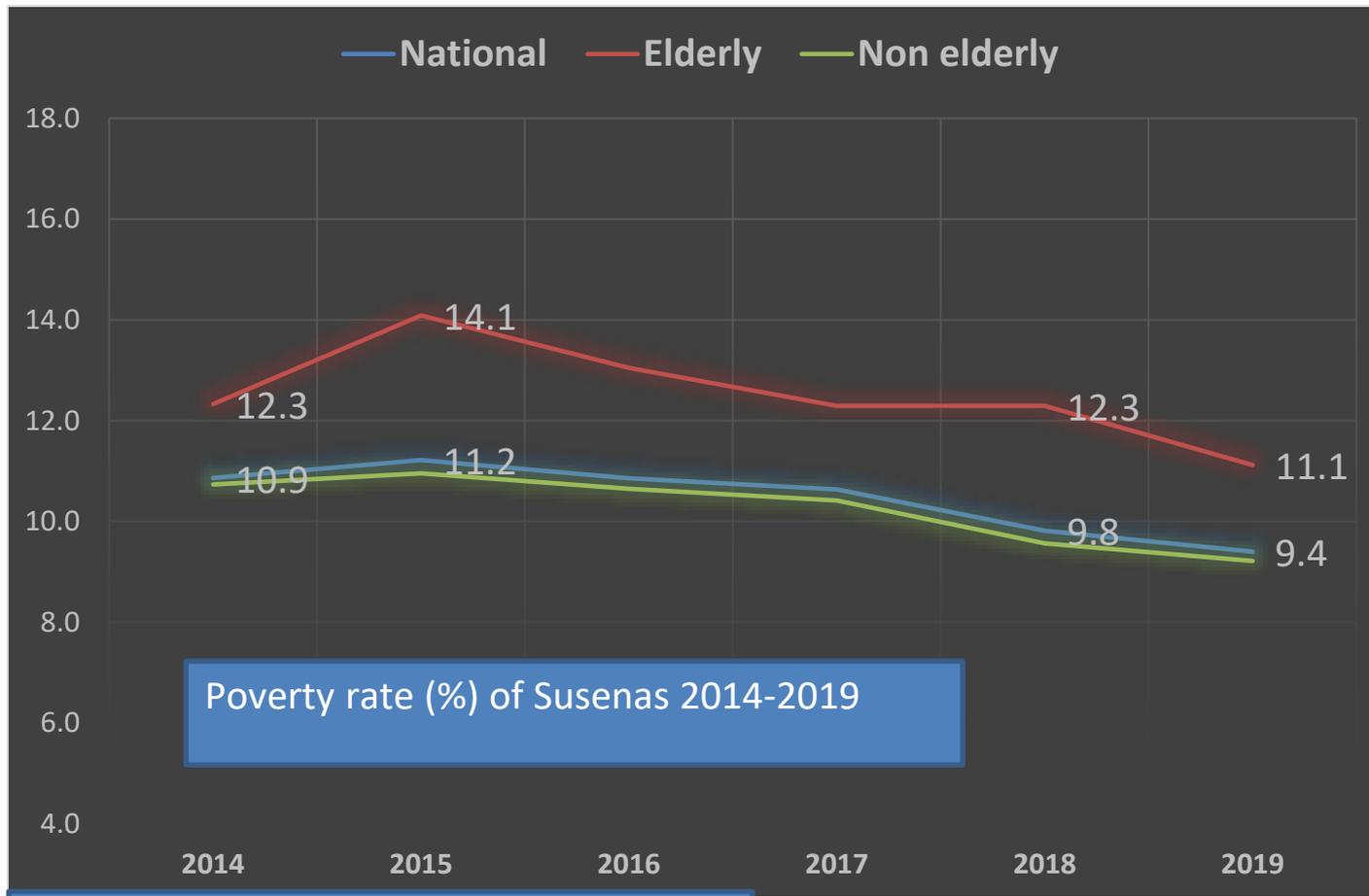
- 16.5% of the elderly aged 65+ died when infected
- Compared to 9.4% aged 55-64
- Compared to 4.7% aged 44-54

Source: Ministry of Health, October 2020

## Elderly poverty rate

**The elderly tend to be poorer than the younger people and the national average**

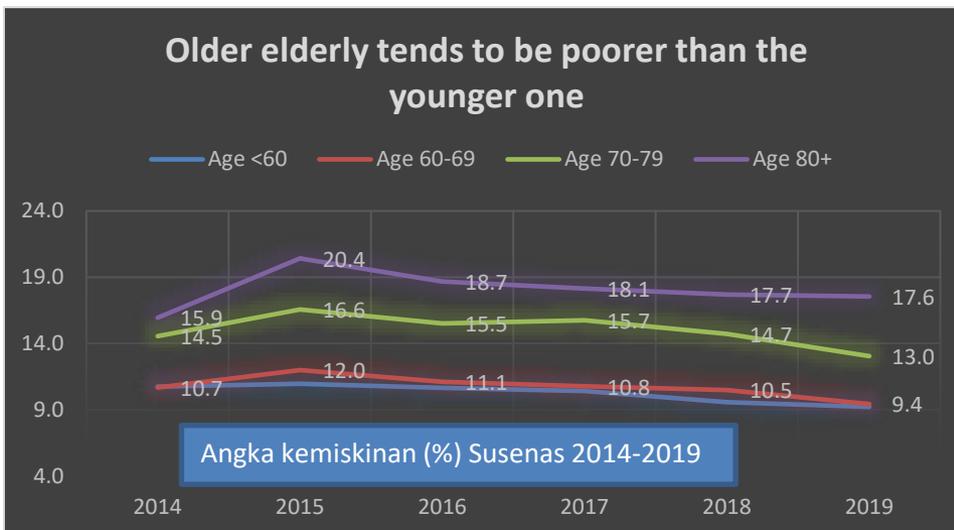
# The elderly tend to be poorer than non-elderly and all populations



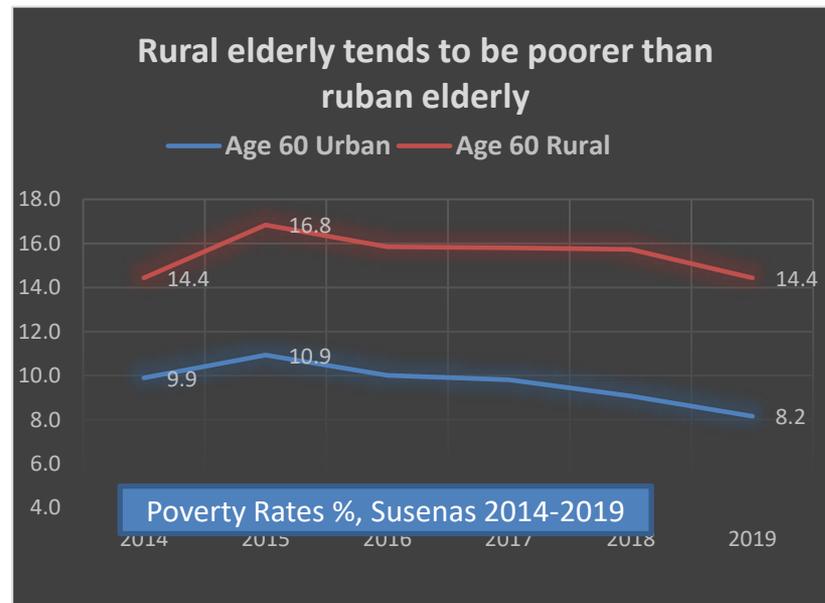
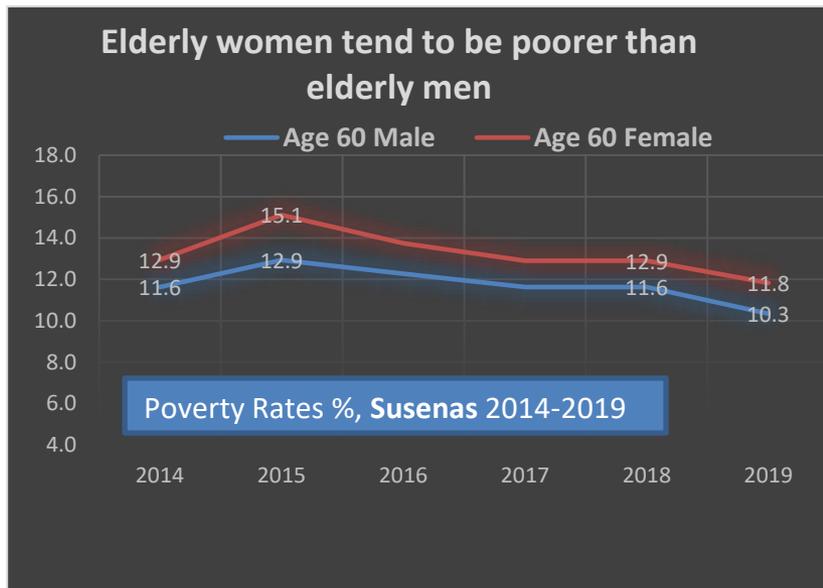
Poverty rate (%) of Susenas 2014-2019

The impact of COVID-19 tends to increase poverty rates among the elderly

Source: Susenas, calculation by the author



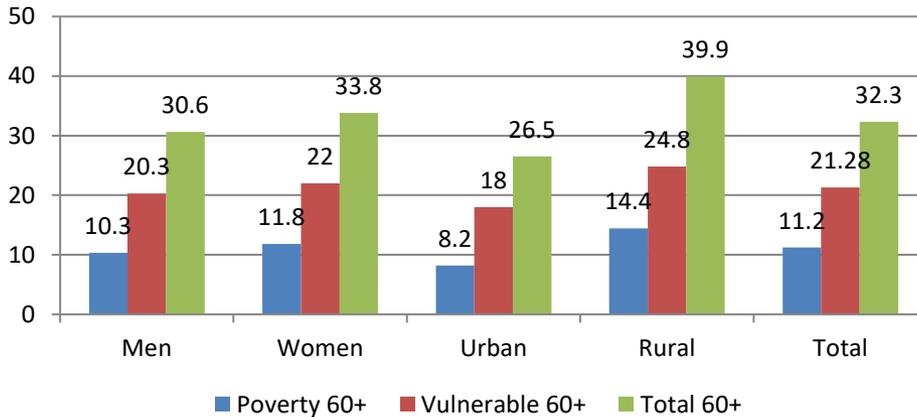
The older elderly, elderly women and the elderly living in rural areas tend to be poorer



Source: calculation by the author

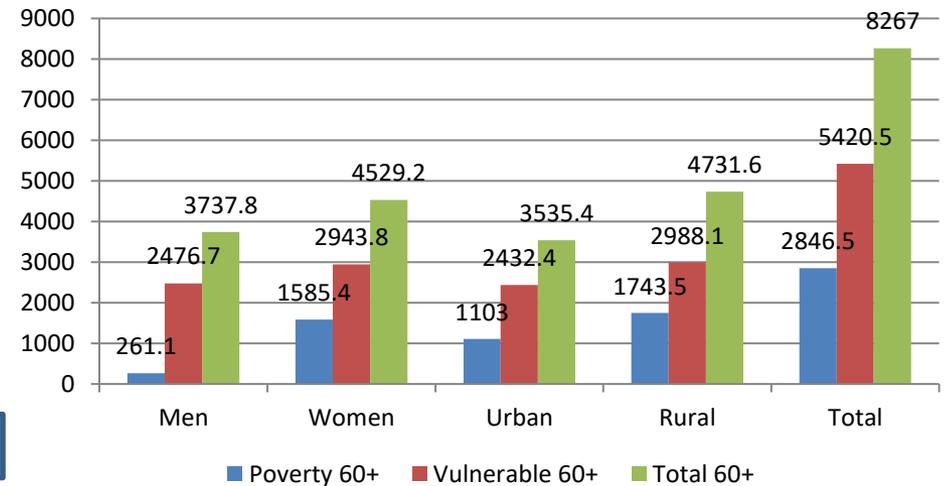
# Vulnerable elderly (20% above 20% of the poorest) tend to return to poverty due to Covid-19

Percentage of Poor and Vulnerable Elderly by Sex and Residency, 2019



Is it necessary to expand and extend Social Assistance? How is the income secured?

Estimated Number of Elderly Living below the Poverty Line and Vulnerable Elderly, 2019



Source: Susenas 2019, calculation by the author

# Feminization of aging

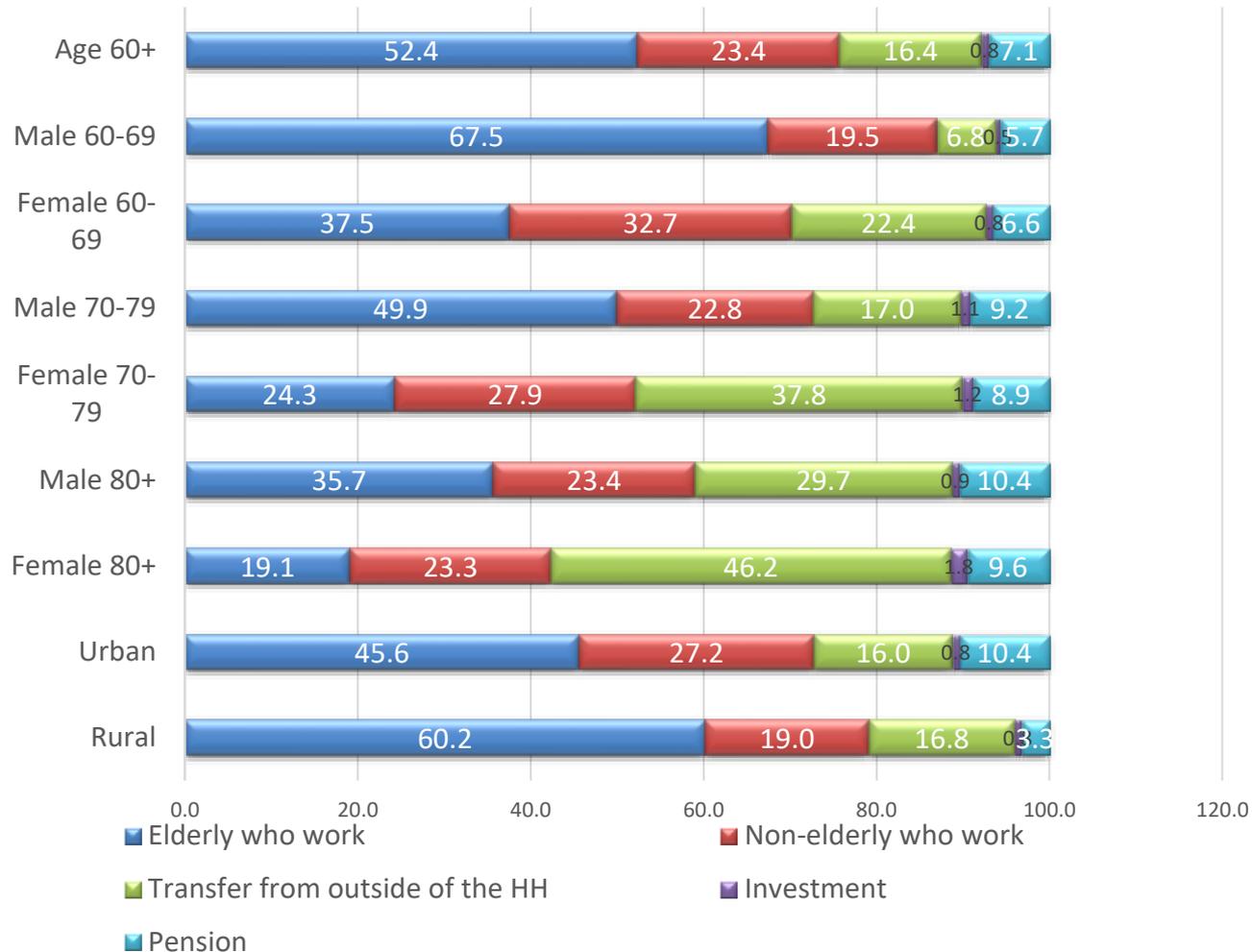
- There are more elderly women than elderly men
- Women live longer but their health-adjusted life expectancy (HALE) is shorter than men. Elderly women lose more time of healthy life.
- Elderly women tend to live alone rather than elderly men
- Elderly women tend to be poorer than elderly men
- Elderly women are more likely to have disabilities than elderly men

# Elderly and sources of funds to meet their needs

How do they meet their daily needs?

# Main source of elderly household expenditure, 2020

Distribution of elderly households according to the main source for expenses by type of sources, age, gender, place of residence 2019



- Main sources for daily expenses :
1. 54% self employed
  2. 23.4% non-elderly DWs working
  3. 16.4% Transfer, from outside household
  4. 7.1% pension
  5. 0.8% percent of investment

1. Work is the main source, including the older elderly
2. Elderly women live on transfer, is it enough?
3. Most cannot live on savings or investments
4. Is it necessary to have income security in old age? JHT?

Are they satisfied with their funding sources?

**Evidence from SUPAS 2015**  
(2015 BPS Inter-census Population Survey)

# Types of income sources in Supas 2015

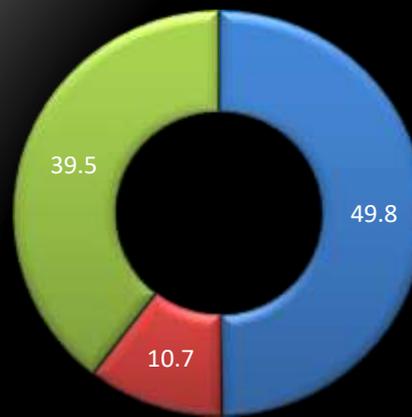
1. From employment/business: wages, salaries, rewards, benefits.
2. Pension: a regular payment made during a person's retirement from an investment fund, the contribution of which has been paid by the person or his or her employer during their service period.
3. Savings, deposits, other assets
4. Investments: bonds, stocks
5. Transfer: husband to wife, children to parents, children-in-law, other family members and other people.
6. Social protection → public expenditure.

# Summarized into 3 categories

- **Income:**
  - Labor income (from employment/business)
  - Non-labor income (income from other than employment/business. Capital gains, dividends, interest, grants, gifts).
  - Labor income + non-labor income
- **Transfer:**
  - Formal (Pension, Social Protection)
  - Informal (transfer from husband, wife, children/in-laws, other family members, neighbors and from other people).
  - Formal + Informal
- **Income and Transfer**

Source: Sanjaya 2016

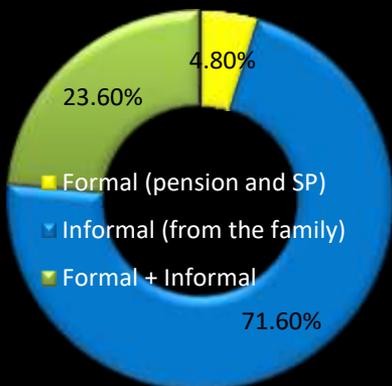
### Elderly by Type of Financial Sources



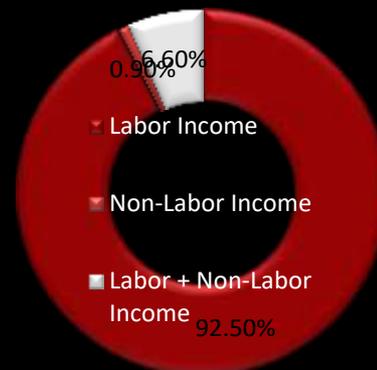
■ Transfer ■ Income ■ Transfer and Income

Source: derived from Supas 2015 by Sanjaya 2016

### Type of Transfer



### Type of Income



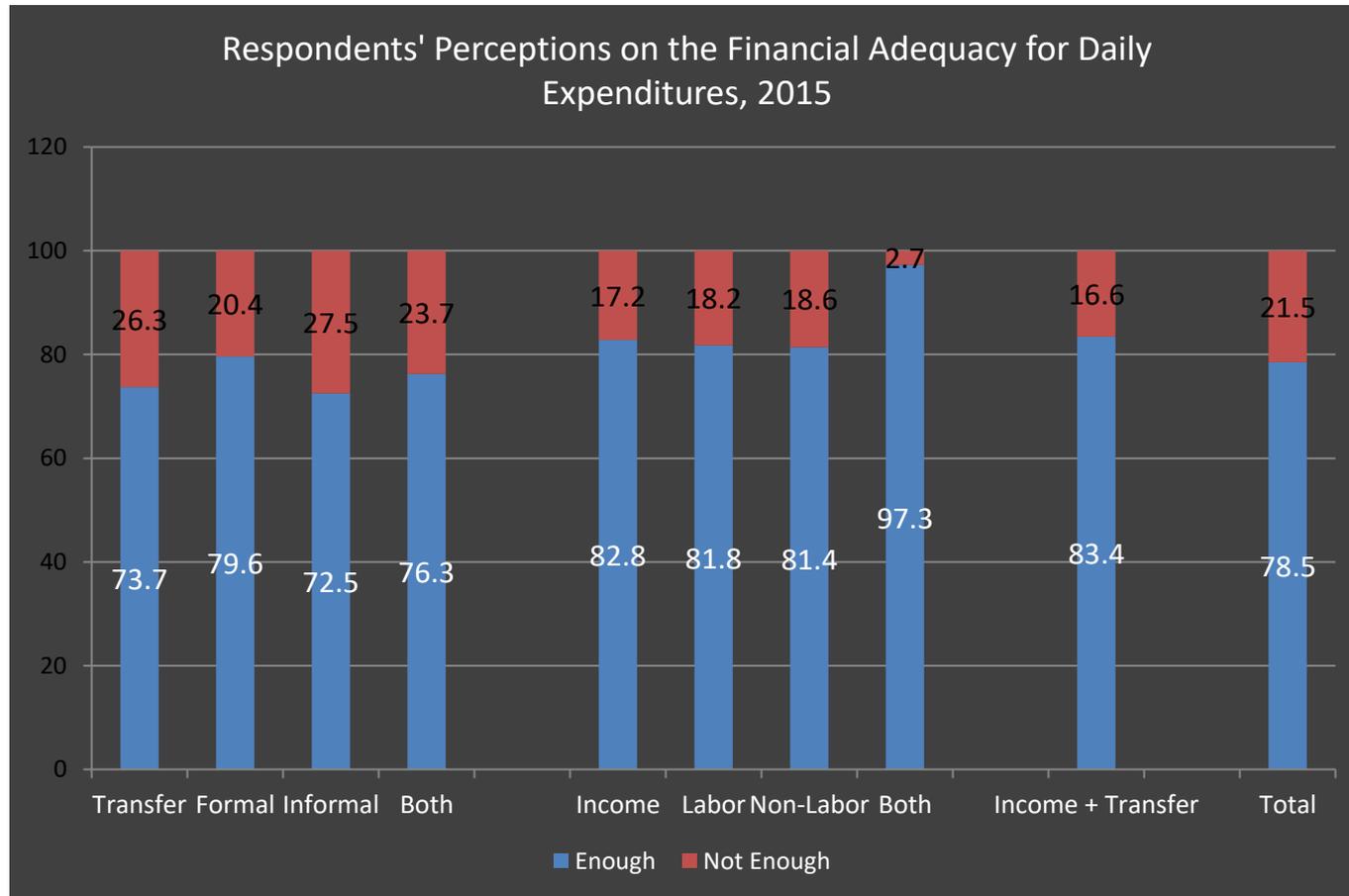
# Summary

1. Almost half of the respondents (49.8%) have sources of funds from transfer, namely: **Formal** transfers (pensions and PS) 4% ; **Informal transfers (71.6%)** (from children, grandchildren, in-laws or other families); 23.6% of formal and informal transfers.
2. Around 10.7% have **income**: from employment (labor income) 92.5%; non-labor income (0.9%); both (6.6%).
3. Around 40% of both transfer and Income.
4. So: A large number of elderly people rely on **informal transfers** to cover their expenses.
5. Informal transfers are vulnerable to loss of jobs or income of the informal transfer providers (eg due to a pandemic)

# Data of Inter-census Population Survey (Supas), 2015

## **Income adequacy to meet daily needs**

# Elderly respondents' perceptions of financial adequacy for daily needs, Supas 2015



- 21.5% said not enough
- 27% of informal transfer recipients said not enough
- 17% of labor income is not enough
- Need income security

## Elderly who state their source is NOT ENOUGH

- Overall 78.5% said **enough**, and 21.5% **NOT ENOUGH**
- Of those whose resources come from informal transfers, 27.5% **said not enough**
- Of those whose resources come from employment, **17.2% said not enough.**
- Even those whose resources come from transfers and employment, **16.6% said not enough.**
- Conclusion: most of the elderly (16-27%) **need other sources** to meet their basic needs.
- Social Protection for the Elderly is the answer → **income security for the elderly?**

## A large number of the elderly said their resources are enough. Is this true?

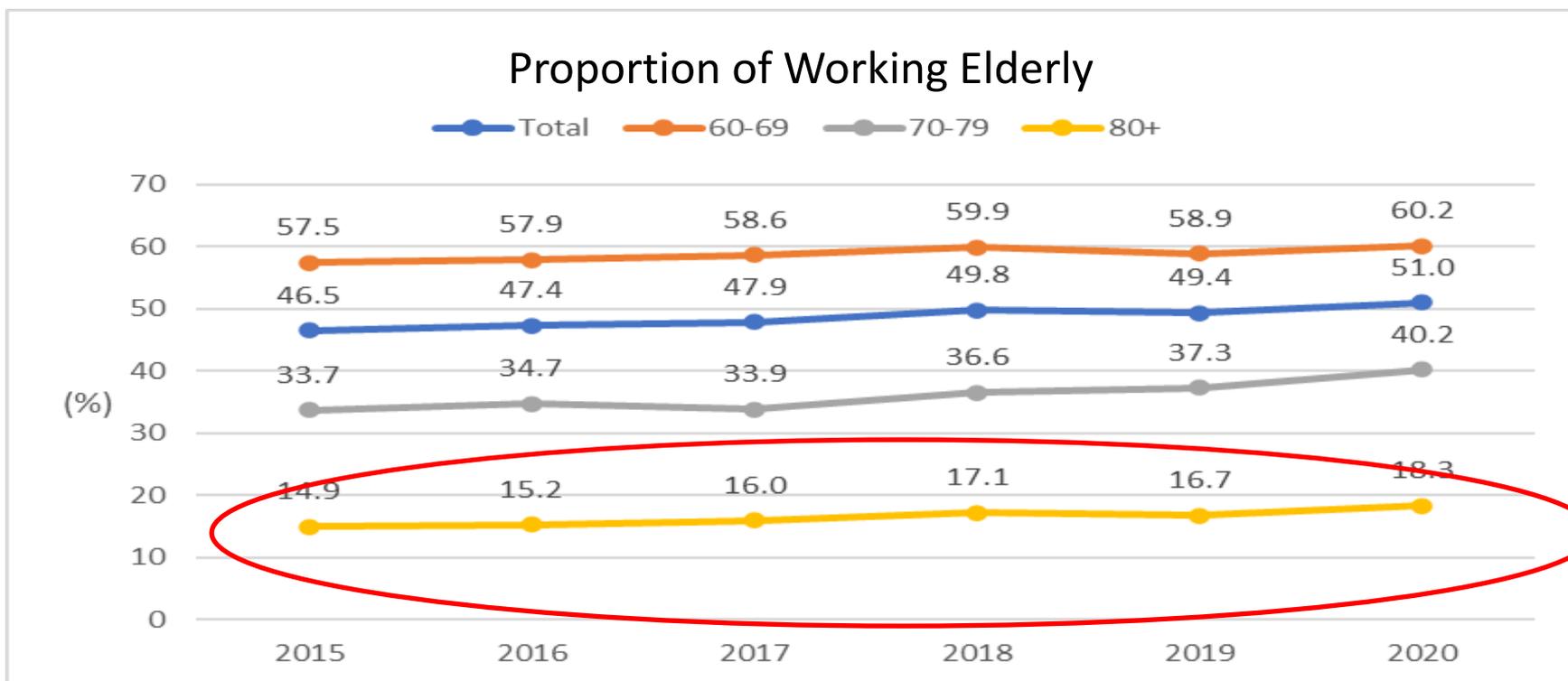
- This is a **subjective measure**. Perception of income is often used to measure the adequacy of resources to meet daily needs, subjective economic well-being or financial satisfaction (Sanjaya 2016 dari Li, Chi, & Xu, 2011, Hazelrigg & Hardy 1997, Stoller & Stoller 2003).
- Those who said their sources are **enough** are: **male, young elderly, senior high school education, healthier, living with family**.
- On the contrary: the elderly who said their sources are **not enough** are: those with low education, older elderly, elderly women, not living with family.
- Using an **objective measure**, ie, the poverty rate, the elderly who said their sources are **not enough, come from 11% of people who live below the poverty line**.

## Note: Informal transfers are not guaranteed

- A high percentage of the elderly relying on informal transfers.
- However, the informal transfer is uncertain of how much and when the elderly will receive it
- Informal transfers are voluntary (not mandatory) from the giver. There is no guarantee that the elderly will receive the same amount of transfers in the coming months. **The sustainability of the transfer is still a question mark.**
- Informal transfers depend on the ability, financial situation of the giver. For example: Covid-19 has had an impact on the loss of jobs and employer income.

**Those who are forced to work until they are physically unable to do so. Because of the absence of income security?**

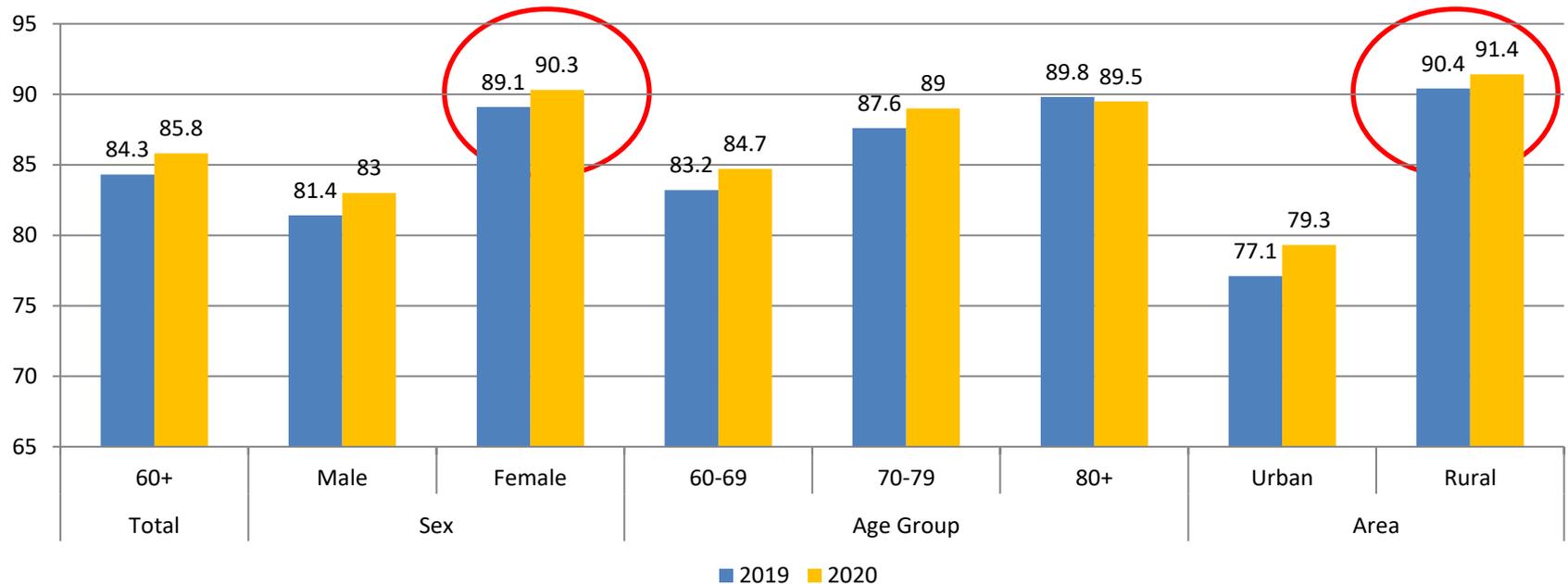
# Half of the elderly are still working Even 80+ years old, 18% are still working. Being forced? Because of the absence of income security?



Source: BPS, Statistics of Elderly Population, 2015-2020.

# Those who work are generally in informal jobs, with income uncertainty and the absence of social protection

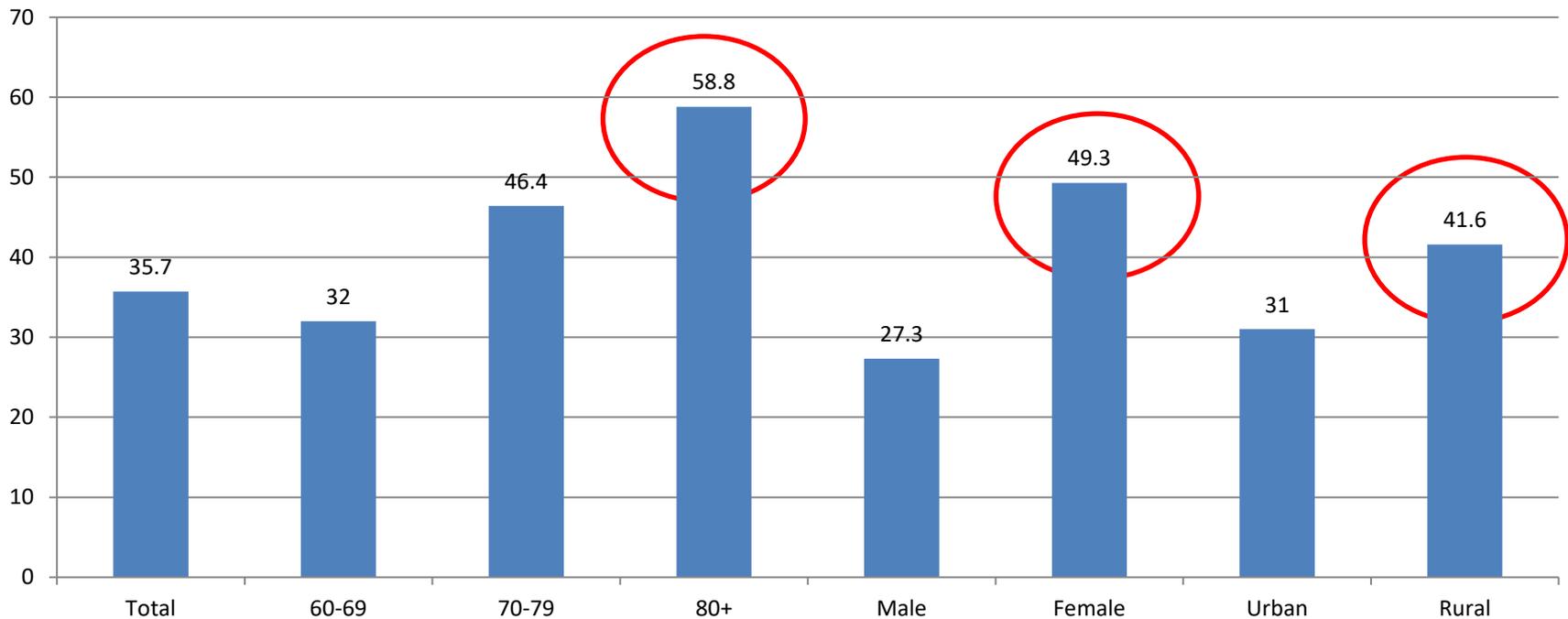
Percentage of Elderly Working in the Informal Sector



Source: BPS (2020), Statistics of Elderly Population, 2020

**35.7% of working elderly earn only IDR 1.45 million per month.  
Especially the oldest elderly, elderly women and the elderly in  
rural areas.**

### Percentage of Elderly with low monthly income

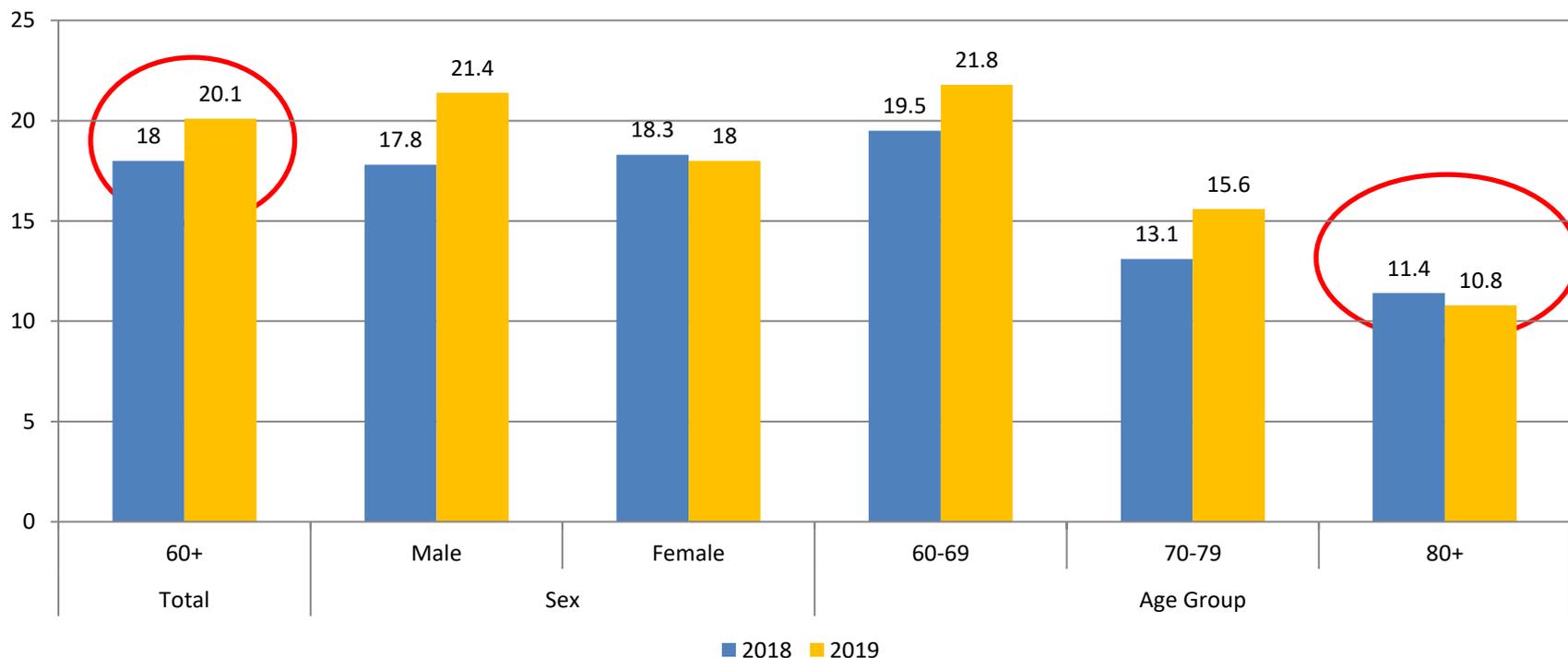


Source: BPS (2020), Statistics of Elderly Population, 2020

# One in five elderly with low income works 49 hours or more per week.

## Working to survive, not an option.

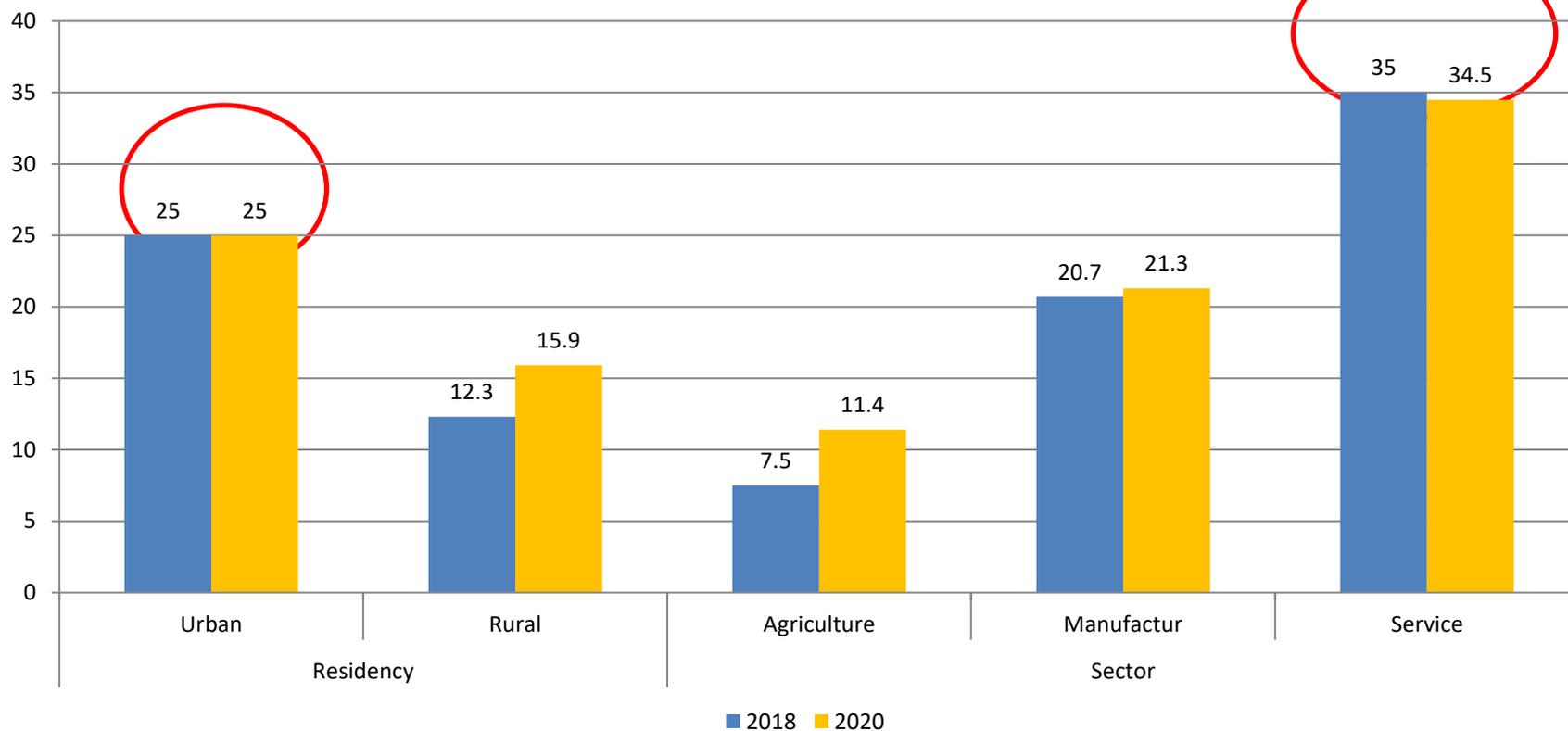
Percentage of Elderly Working  $\geq 49$  hours in the last week by sex and age group



Source: BPS, Statistics of Elderly Population, 2018, 2020

# One-third work in the service sector, generally with long hours

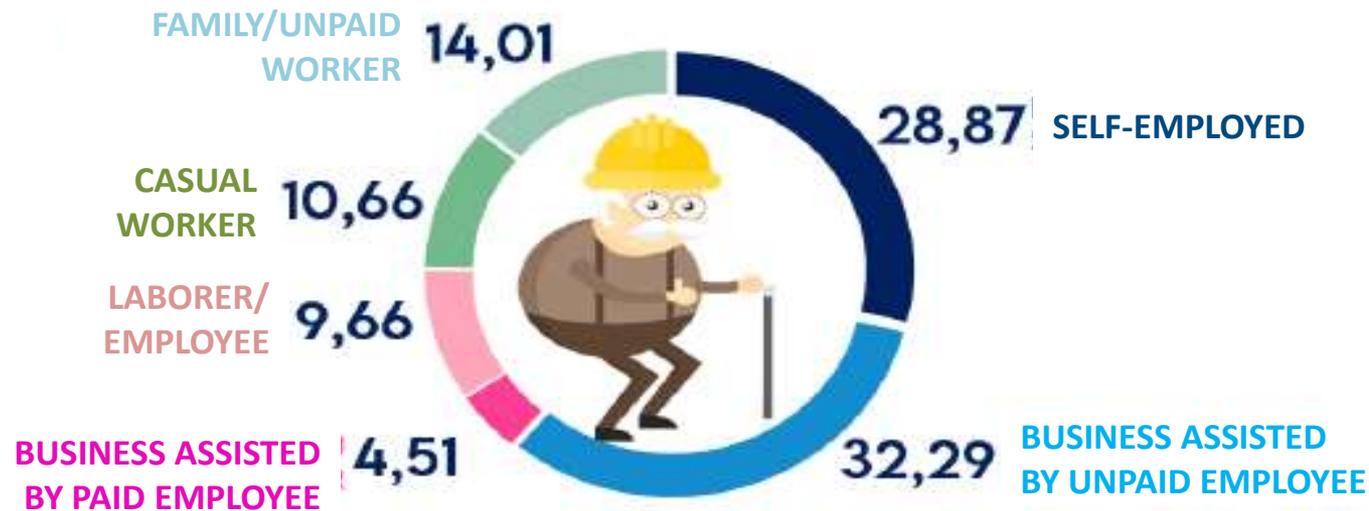
Percentage of Elderly Working  $\geq 49$  hours in the last week by Residency and Sector



Source: BPS, Statistics of Elderly Population, 2018, 2020

# 14% work as unpaid family workers and 10.66% are casual workers

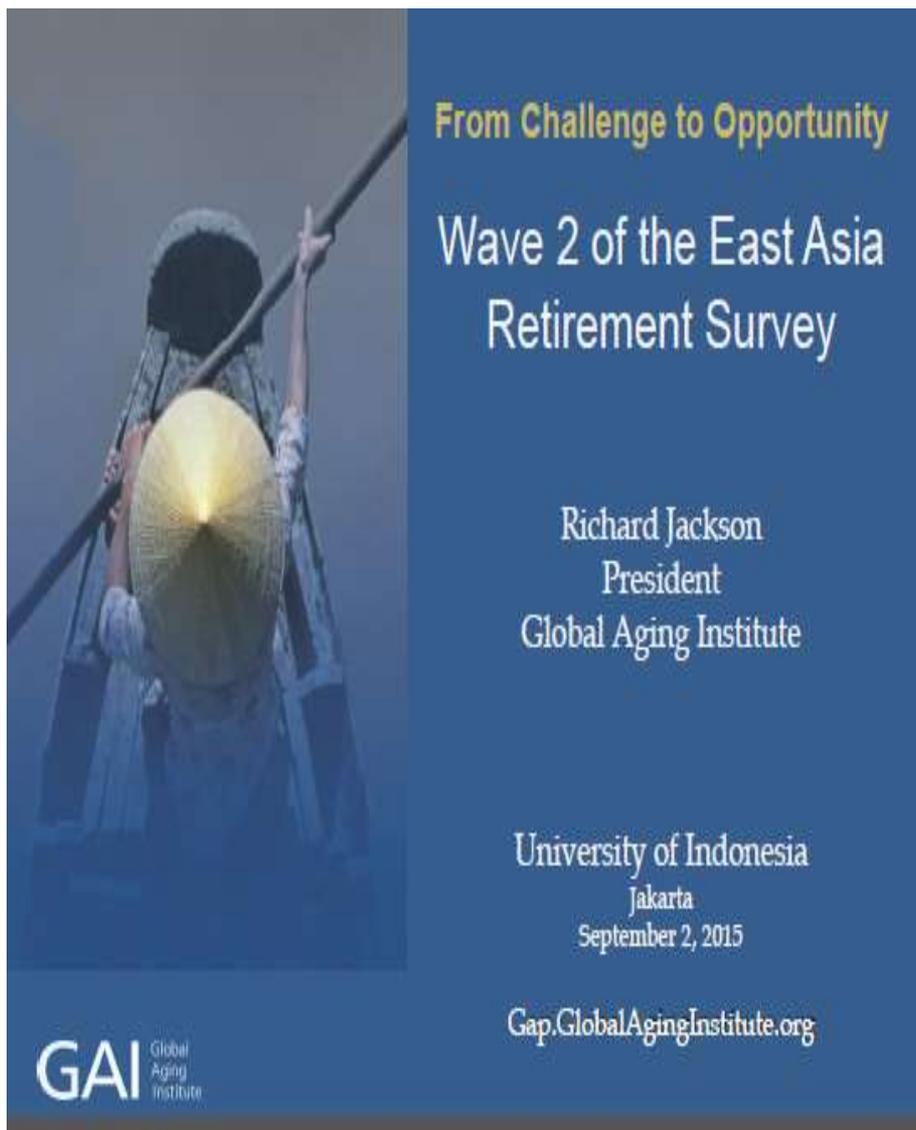
**Gambar 5.4** Percentage of Working Elderly Population by Status of Main Jobs, 2020



Source: BPS, Sakernas, August 2020

Survey on the Future of Retirement  
Retired and Pre-Retired Respondents  
Respondents generally work in formal jobs  
Richard Jackson , Global Ageing Institute 2015

# RESPONDENTS' PERCEPTION OF OLD AGE INCOME SECURITY IN INDONESIA



**From Challenge to Opportunity**

**Wave 2 of the East Asia Retirement Survey**

Richard Jackson  
President  
Global Aging Institute

University of Indonesia  
Jakarta  
September 2, 2015

[Gap.GlobalAgingInstitute.org](http://Gap.GlobalAgingInstitute.org)

**GAI** Global Aging Institute

- 1st wave of 2011 China, Hong Kong, Malaysia, Singapore, South Korea, Taiwan.
- 2nd wave of 2014 plus Indonesia, Thailand, Philippines, Vietnam,
- Respondents: age 20+ retired main breadwinner and currently the main breadwinner
- Asked about their general attitude towards pension and their experiences and expectations
- Current retirees were asked about their current pension. Current workers were asked about expectations for retirement

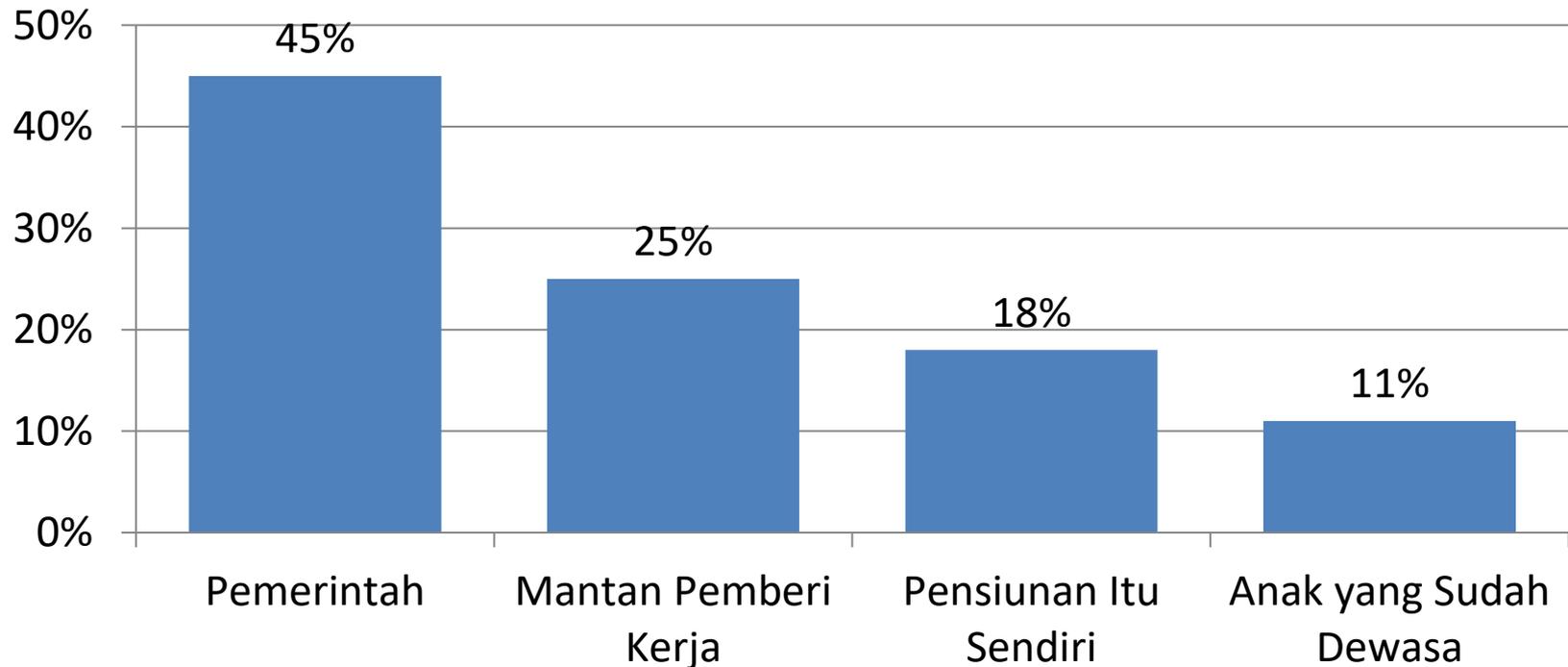
## Decreased expectations for pension benefit from children or other families

- Only 11% of respondents said that adult children or other family members are responsible for providing **income for retirees**;
- 25% of retirees and 12% of current workers expect **to be less dependent** on family than current retirees
- There is a decrease in trust in children and other families to support parents (don't want to burden children or families)

# Who should replace the role of the family?

- 18% of respondents expect to '**their own pension through their own savings**', while 45% expect that ideally the **Government is responsible** for providing income for retirees, replacing the role of the family.
- **Rich countries** studied, show a higher % of respondents expecting post-retirement income **through their own savings**. (through savings during employment- JHT?).
- Respondents from low-income countries expect the **Government** to provide income security.
- Social pensions need to be established? Either contributory or non-contributory.
- Developing countries need to regulate fiscal policies that are beneficial for the elderly and others.

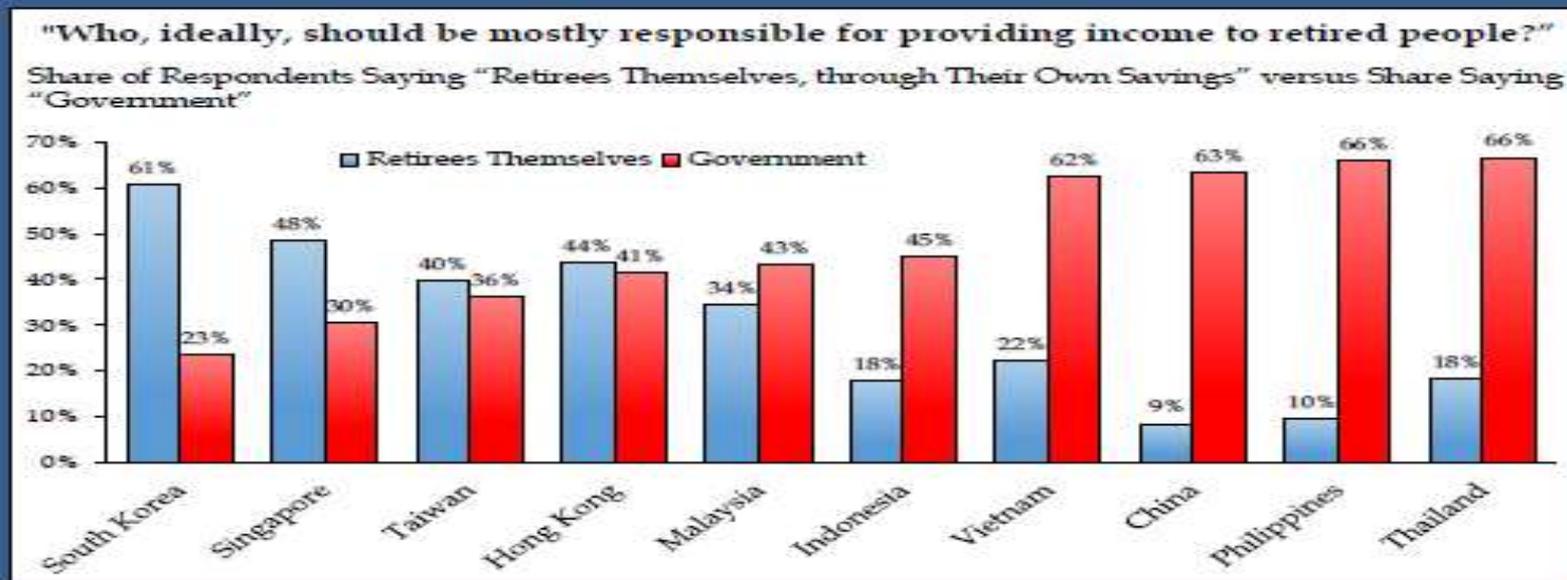
## Indonesia: Nearly half of respondents expect the government to be responsible for income security for retirees.



Very few Indonesians can rely on asset income upon retirement. Expecting income from financial assets, insurance, bonds, annuity policies (11% retirees and 18% current workers)

# DON'T GET OLD BEFORE YOU'RE RICH

Views differ greatly across East Asia about who should replace the family as guarantor of retirement security.



Respondents in rich countries expect to live from their savings during working, respondents in developing countries still want to rely on the government after retirement. This reflects the job market situation.

## Conclusion

- The issue of old age income security is closely related to pre-retirement employment history, the labor market situation, and government policies
- There is still a gap between old-age income security of retirees of formal employment than those of non formal, or unemployed. Poor elderly, oldest elderly, female elderly: leaving alone widow, rural elderly and disabled elderly.
- Need serious and rapid intervention.

# THANK YOU

toeningsm@gmail.com