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Implementing Social Protection for the Elderly in Indonesia

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Summary:

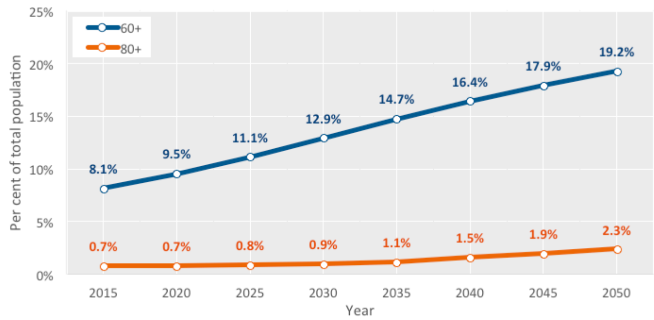
Growing old in Indonesia is a risky endeavour. As elderly people's capacity to work declines due to old age or disability, they are much more likely than their younger counterparts to fall into poverty. After a lifetime of contributing to Indonesian society, many elderly people, especially elderly women, have to depend on family members who are struggling themselves. Yet Indonesia's elderly people want to maintain both their autonomy and dignity for as long as they can.

The difficulties they face stem largely from the absence of social protection for the elderly. Around 85 per cent of older people in Indonesia have no income security. An elderly grant scheme paid monthly to all Indonesians when they reach the age of 65 or 70 could significantly reduce poverty and income insecurity in old age.

At the same time, this would improve social cohesion and contribute towards economic growth. The grant would complement civil service pensions and the contributory pensions paid through the Employees' Social Security System (BPJS *Ketenagakerjaan*) and offer social protection coverage to all Indonesians once they reach a certain age.

Indonesia is an ageing population and our elderly are struggling to maintain themselves and retain their dignity. About 6 per cent of Indonesia's population will be 65 or over by 2020 (see Figure 1). This will rise to 8 per cent by 2030 and to 14 per cent by 2050 (UN DESA, 2017). Our growing numbers of working-age Indonesians will be tomorrow's grandparents and we need to ensure they have adequate social protection in their old age. People over 50 are on track to make up almost 40 per cent of the voting population by 2040 so their needs cannot be ignored.

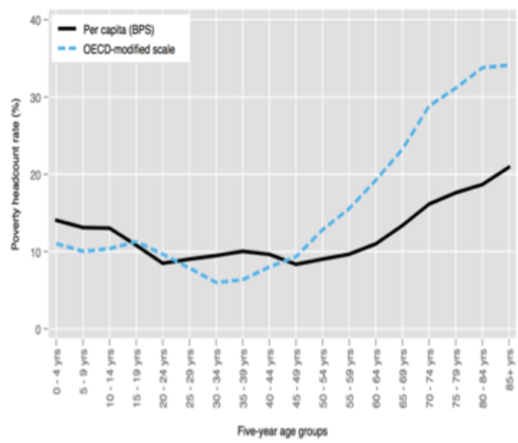
Figure 1: Indonesia Ageing Population, 2015-2050



Source: UN World Population Prospects 2017

The highest rates of extreme poverty in Indonesia are found among people aged 65 and over. For instance, around 80 per cent of people over the age of 65 live in households with a per capita consumption below IDR50,000 a day (less than US$4 per day). Extreme poverty rates for people aged 80 and over are even higher (see Figure 2).

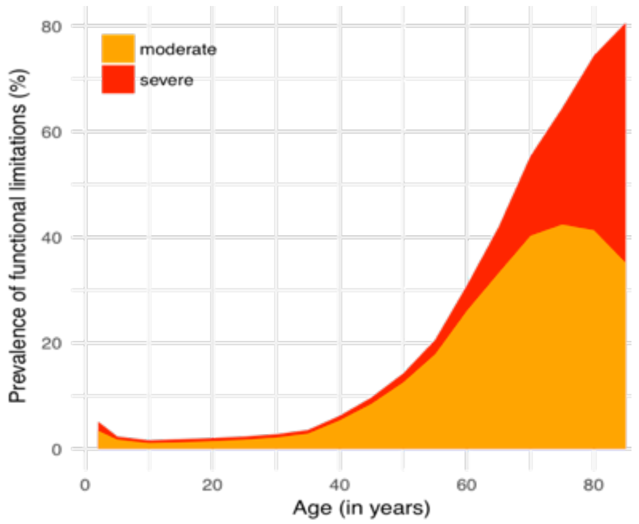
Figure 2: Population living below the poverty line in Indonesia, across age groups



Source: Susenas 2017

Nearly one in five of people over 80 live in extreme poverty using the national poverty line as the basis, but this proportion rises significantly if we use alternative measures of economic wellbeing.[1] Furthermore, people who are secure today may not be secure tomorrow, as incomes are constantly changing, and small crises can easily push the elderly into poverty.[2]

Figure 3: percentage of people with disabilities in Indonesia, by age



Source: SUPAS 2015

People's ability to work declines with age, and rates of disability rise sharply (see Figure 3). At least four out of every ten Indonesians aged 70 and over have some form of disability which affects their ability to earn independent incomes (BPS, 2010; Adioetomo, Mont and Irwanto, 2014). This means that 65 per cent of people of 60 and over rely on their adult children for financial support. Furthermore, ageing means higher health costs so families supporting older people can be under significant financial stress.

These families are less able to invest in their own children, which in turn has a negative impact on the capacity of the nation's future labour force. The elderly in Indonesia place a high value on being able to provide for others and being forced into dependency also means that they lose their sense of self-worth (Kreager and Schroder-Butterfill, 2008, 2010, 2015).

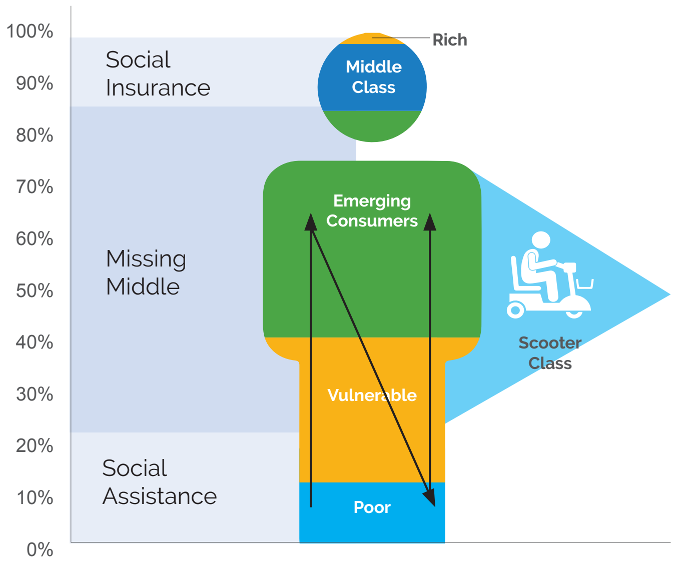
Old age has a strong gender dimension in Indonesia. Women make up 53 per cent of those aged 65 and over, as women tend to live longer than men. Women in the 60–80 age group face vulnerabilities compared to men, for example:

- They are over 14 per cent more likely to live in extreme poverty;
- They are more likely to be widowed (56 per cent of women versus 15 per cent of men);
- They are more likely to live alone (15 per cent of women versus 5 per cent of men).
- They are less likely to participate in the labour force and more likely to depend on their families for support (76 per cent of women versus 56 per cent of men)

Government can strengthen the current social protection system in Indonesia to better cater for the elderly.

Around 85 per cent of the elderly in Indonesia have no secure income. The current social protection system reaches more affluent members of society in the formal sector through contributory social insurance and civil service pensions. It also targets those living in poverty through social assistance programs. However, most people on middle incomes – the 'missing middle'– live on low incomes and are vulnerable to everyday risks and shocks. This missing middle, therefore, needs better access to social protection (see Figure 4).

Figure 4: The design of Indonesia's social protection system offering income transfers



Grants for the elderly are the most common and largest social protection instrument used across high and middle-income countries.

These grants form the foundation for broader social protection for the elderly systems, ensuring a guaranteed minimum income for all citizens of a certain age.

Most countries introduced grants for the elderly when they were poorer than Indonesia (see Figure 5). Nepal demonstrates that a country's lack of wealth is no impediment. As one of the poorest countries in Asia, it invests around 1.3 per cent of its gross domestic product (GDP) in its grant for the elderly, covering everyone over 65 and all single women over 60. Given the rapidly rising and ageing population across Asia, governments need to establish comprehensive social protection systems for the elderly, as this is now a critical policy issue (TNP2K-Mahkota, 2018).

[1] The estimate is based statistics from the national statistics office of Indonesia (BPS). Using a modified Organisation for Economic Cooperation and Development scale to capture distribution of relative intra-household poverty, poverty among those aged 80 and older jumps to well above 30 per cent. Overall, the national poverty rate for people of 65 or older is 14.7 per cent.

[2] From 2007 to 2014, around one third of households improved their living standards but another third slipped back to a lower economic position, and a similar pattern emerges over just one year from 2014 to 2015.

Indonesia can afford an adequate grant for all elderly citizens that will eradicate income poverty in old age.

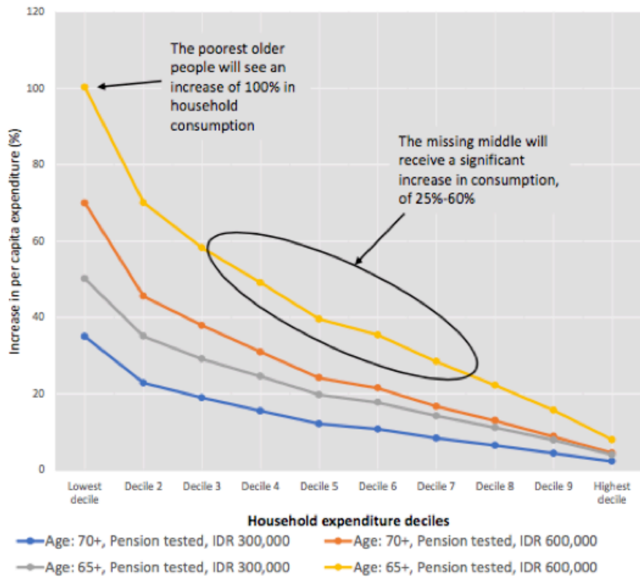
Other middle-income countries invest approximately 14.6 per cent of GDP per capita (HelpAge International, 2015).[3] An elderly grant of IDR600,000 per month – approximately 12.9 per cent of GDP per capita – would dramatically reduce poverty rates among older people from around 15 per cent to 1.2 per cent. It would also have a significant impact on the wellbeing of the 'missing middle' and increase per capita household consumption by between 25 and 60 per cent.

A more modest grant of IDR300,000 for everyone of 70 years and over would still bring the poverty rate down from 16.3 to 3.8 per cent for this age group although the benefits for the 'missing middle' would be relatively low (see Figure 6).

Modest elderly grants are already having a significant impact in parts of Indonesia. Since 2012, everyone aged 70 and over in Aceh Jaya district have received a pension of IDR200,000 a month, with positive results (see box). DKI Jakarta province has started to provide an elderly grant of IDR600.000 per month for some of its elderly population (approximately around 14.000 elderly from the total 100.000 elderly in the province).

Furthermore, because the elderly is over-represented among the poorest segment of Indonesian society, a comprehensive social protection system for the elderly reduce national poverty and inequality significantly (Susenas, 2017).

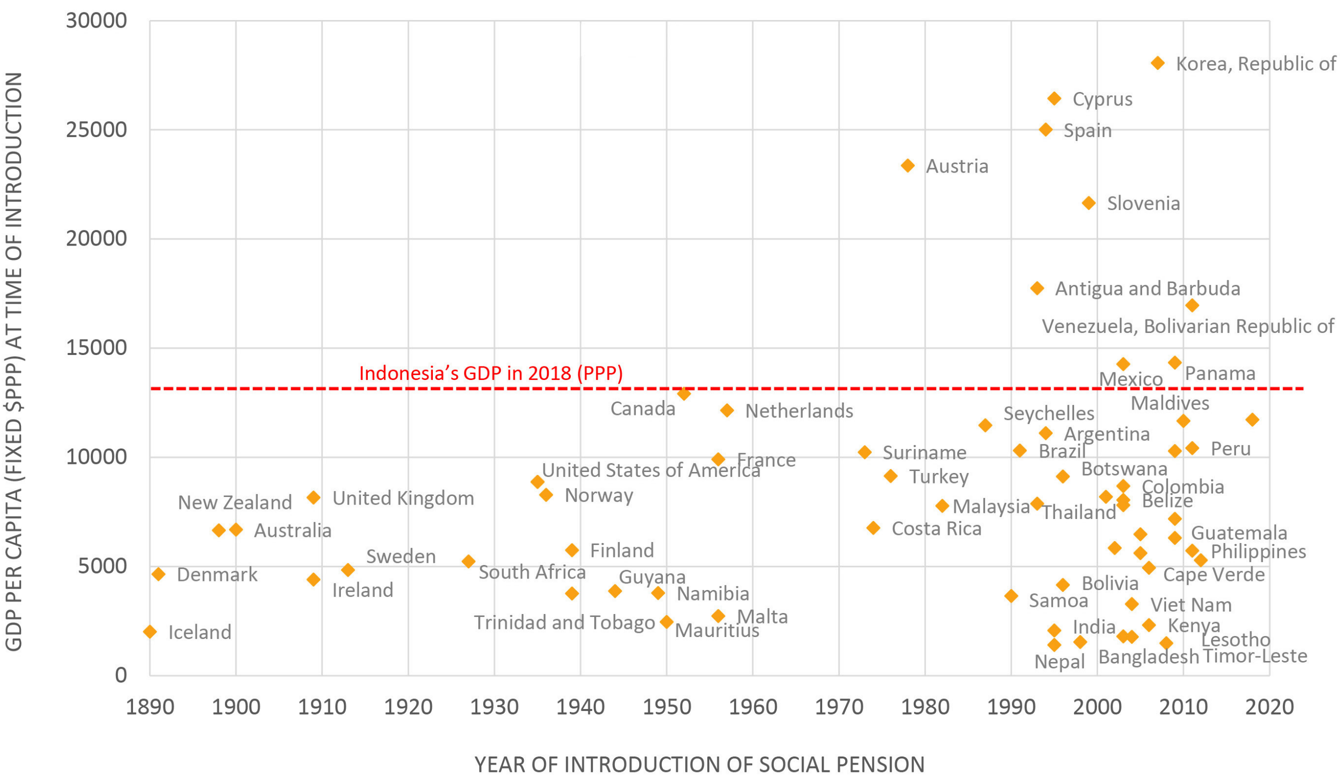
Figure 6: Post-transfer household expenditures by income as a result of a citizens' pension (elderly grant)



Source: Susenas 2017

For example, a grant of IDR600,000 per month for people of 65 and over would reduce the national poverty rate to 8.8 per cent. Even if the grant was IDR300,000 per month, the national poverty rate would still fall to 9.4 per cent.

Figure 5: Global increase in grants for the elderly showing the wealth of the country at the time the grants were introduced



Source: Palacios and Knox-Vydmanov (2014) adjusted PPP as of 2011 equivalent by Development Pathways, 2018

[3] The average includes low and middle-income countries that provide a universal or pensions-tested social pension.

Impacts of the ASLURETI old age pension in Aceh Jaya

The ASLURETI pension has been paid to everyone aged 70 and over in Aceh Jaya district since 2012 and it reached 2,709 recipients in 2016. A recent evaluation already showed clear benefits for older people as well as for their families and communities:

- Recipients mostly spend the pension on food, health care and grandchildren's school expenses.
- 75 per cent said they accessed health services more frequently and 70 per cent reported that their emotional health had improved.
- 81 per cent went from being dependent on family members to contributing to household income.
- Of the 40 per cent who still work, many reported being able to shift into less strenuous jobs, such as operating warungs (shops) from their homes.

Source: MAHKOTA (2017)

Consequently, even a relatively modest investment in a monthly grant for the elderly would enable the government to reach its poverty reduction targets (Susenas, 2017).

These positive impacts will reverberate across Indonesian society:

- Working families could invest more in their children, contributing to a more productive future workforce;
- Older people would add to this investment by supporting their grandchildren (it is common for elderly people receiving social transfers to give a high proportion of it to their children or grandchildren);
- The transfer would spur spending and create markets for entrepreneurs at the local level, generating employment and economic growth;
- This greater economic growth would result in higher taxation which, in turn, would finance future investments in social protection, creating a virtuous circle that ensures an old-age social security system suitable for a middle-income country;
- Most importantly from a human rights perspective, all Indonesians could be guaranteed to live their final years in dignity.

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