

Policy Memo

Taking Advantage of The Demographic Dividend in Indonesia:

A Brief Introduction to Theory and Practice

Adrian Hayes Diahhadi Setyonaluri April 2015

ACKNOWLEDGMENT:

- Jose Ferarris

 Representative
- 2. Richard J Makalew – National Programme Officer for Population and Development
- Dedek Prayudi

 Policy Research Associat
- Dikot Harahap

 Research Associate
- Elvince Sardjono

 Research Assistant

DISCLAIMER:

The views expressed in this discussion paper are those of the author(s) and do not reflect the views of UNFPA or the Government of Indonesia Policy Memo

Taking Advantage of The Demographic Dividend in Indonesia:

A Brief Introduction to Theory and Practice

Adrian Hayes Diahhadi Setyonaluri April 2015

Contents

Introduction	1
The demographic transition, changing age structure, and the first demographic dividend	1
Age structure and dependency ratios	3
Economic support ratios	5
Taking advantage of the first demographic dividend	8
Labour supply	8
Savings	8
Human capital	9
Limitations and misconceptions	9
The demographic dividend and the RPJMN 2015-1019	10
A second demographic dividend?	11
Recommendations	13
References	16
Appendix: Additional Demographic Data	
on Indonesia	18

Taking Advantage of The Demographic Dividend in Indonesia:

A Brief Introduction to Theory and Practice

Introduction

A population's changing age structure can, under certain conditions, provide a powerful stimulus to economic growth and family welfare. The current demographic conditions in Indonesia are ripe for taking advantage of such a "demographic bonus" or "demographic dividend"¹; in fact, favourable conditions have been in place for some time but the window of opportunity will start to close after another decade or so. "The demographic dividend refers to the accelerated economic growth that begins with changes in the age structure of a country's population as its transitions from high to low birth and death rates" (Gribble and Bremner 2012:2). If the people of Indonesia are to benefit equitably from this demographic dividend then the Government needs to ensure that certain supporting conditions and policies are in place and operating effectively. It is important that implementation of the new *Five-Year Development Plan 2015-2019* be consistent with these requirements.

The purpose of this Policy Brief is twofold. First, to provide a brief and upto-date account of what a demographic dividend is and how it is produced, based on the latest developments in research and expert opinion; and second, to consider how the associated economic and demographic insights can be applied constructively to development planning and policy in Indonesia today. To meet these objectives we draw on a wide range of both Indonesian and international sources.²

The demographic transition, changing age structure, and the first demographic dividend

Countries around the world in modern times have gone through, or are currently passing through, the so-called demographic transition, whereby a predominantly rural agrarian population characterised by high mortality and fertility rates is transformed into a predominantly urban industrial population

¹ The two terms are used interchangeably; "bonus" is used more frequently in Indonesia but "dividend" is more common in the recent international literature.

² The authors would like to thank the participants at a special meeting organized by UNFPA on 18 February 2015 in Jakarta to discuss a draft of this Policy Memo, especially Sri Moertiningsih Adioetomo, Sonny Harmadi, Razali Ritonga, Riwanto Tirtosudarmo, and Prijono Tjiptoherijanto. Sincere thanks also to Hal Hill, Terry Hull, and Ross McLeod for comments.

characterised by low mortality and fertility. Most Western countries began this transition in the nineteenth century and now already have low rates of mortality and fertility. Most developing countries only began their transition after World War II and are currently spread across a range of transitional stages.

As a country goes through its demographic transition the changes in mortality and fertility inevitably affect other population characteristics. The most obvious is the population growth rate. Since as a general rule the decline in mortality begins before the fertility decline and commences quite steeply, the result is the annual number of deaths is significantly less than the annual number of births and the population grows significantly for several decades. How much it grows and for how long depends on the timing and the rates of decline of mortality and fertility, respectively.³



A second characteristic which inevitably changes as a population goes through its demographic transition is the population age structure, that is, the relative proportion of total population in each age group. ⁴ Since people of different ages have different consumption needs and engage in different kinds of productive activities a changing age structure can have massive implications for economic growth and family welfare (Bloom et al. 2003). Figure 1 gives a schematic representation of how the population growth rate and the share of the population in the working ages vary in relation to one another as the population goes through its demographic transition.

Adults typically engage in the main productive activities of a population and produce more than they consume, whereas the productive activities of children and the elderly are usually secondary or non-existent and people in these age groups are likely to consume considerably more than they produce

³ Figure A1 in the Appendix shows trends in crude birth and death rates for Indonesia.

⁴ The basics are well described in Gribble and Bremner ((2012).

– in this sense they are economic "dependents." A demographic dividend or demographic bonus can be said to exist when the demographic conditions favour economic production more than consumption.

The main kind of "demographic dividend" (or "demographic bonus") which has received growing attention over the last 20 years – and what in this Policy Brief we describe as the "first demographic dividend" – is the case where the age structure is characterized by a high proportion of people in the working ages compared to the non-working ages. "Countries with heavy concentrations of populations in the working ages have an inherent advantage to produce high levels of per capita income" (Mason 2005: 82).

Age structure and dependency ratios

Figure 2a shows the UN Population Division's estimates and projections for Indonesia's population by three age groups: infants and children (age 0-14 years), those in working ages (15-64 years), and the elderly (65 years and older).⁵ We see the total population 0-14 peaks around 2010 and then declines, and under the assumptions used by the UN (medium variant) will continue to decline for the rest of the century. The population aged 15-64 is expected to continue to grow until mid-century. Meanwhile the number of people 65 and older will rise considerably during the century, so that by around 2060-70 there will, for the first time ever in Indonesia, be more people over-65 than children under-15. Other things being equal, the period roughly 1990-2050 appears relatively favourable in demographic terms for economic growth: the size of the working-age population is growing rapidly while the largest group of dependents, the under-15s, flattens out and then declines; soon after mid-century, however, the 65+ group overtakes the children and continues to grow rapidly while the working age population declines.

Demographers often describe the changing age structure in terms of changing dependency ratios. Figure 2b presents the same data converted into three dependency ratios, defined as the number of dependents per 100 persons of working age (15-64). The child dependency ratio (i.e. the ratio of the population aged 0-14 to the population aged 15-64) peaks at 81⁶ in 1980 and then continues to decline in the UN projections until it reaches 27 in 2060. The old-age dependency ratio (i.e. the ratio of the population aged 15-64), on the other hand, starts from a low of 6 or 7 in the 1950s and only starts rising significantly around 2010; it reaches 11 by 2025 and 24 by 2050; under the UN projections it reaches 45 by the end of the century, and is still rising. When these two dependency ratios are combined to form the total dependency ratio (i.e. the ratio of the sum of the population aged 0-14 and the population aged 65+ to the population aged 15-64), we see

⁵ The cut-off ages for defining the working ages can obviously be adjusted to fit local practices; we here adopt the UN convention and use 15-64 years.

⁶ That is, it peaks at 81 per 100 (or a ratio of 81:100), but for ease of expression in accounts like this the ratio is often reduced to a single number where the second term (the consequent) in the ratio is constant.

the ratio first reaches a peak in 1970 (similar to the child dependency ratio) with a value 87; it then declines to an all-time low of around 45 in 2025, after which it rises again in response to the rising old-age dependency ratio⁷; by the end of the century its value (72 per 100) is close to what it was in 1950.

Figure 2

Population age structure, Indonesia, estimates and projections, 1950-2100



Source: For 1a, UN Pop. Div. (2012); for 1b, data from UN Pop. Div. (2012). See text for definitions.

What is the significance of these trends for defining the demographic dividend? If, as is commonly the case, the first demographic dividend is identified in terms of the total dependency ratio, then the dividend in Indonesia clearly peaks around 2025 when the ratio is at its lowest; a ratio of 45 dependents (comprising 34 children and 11 over-65s) per 100 people 15-64 means that each dependent is supported by 2.2 people in the working ages. Professor Adioetomo (2005: 25-26), reasoning along these lines, suggests the "window of opportunity" is therefore between 2020 and 2030.⁸

预览已结束,完整报告链接和二维码如下:



https://www.yunbaogao.cn/report/index/report?reportId=5_19628