

SOUTHEAST ASIA

Family-friendly policies can help keep Indonesia's demographics in the 'sweet spot'

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IN BRIEF

Indonesia faces a dual challenge as it seeks to leverage its demographic dividend while addressing the implications of an aging population. Declining marriage and fertility rates are being driven by economic pressures and shifting cultural norms. To navigate this shifting landscape, Indonesia must empower its younger generation, enhance human capital and implement family-friendly policies. Collaborative efforts among ministries, local governments and the private sector are crucial to ensure a sustainable and prosperous future for all.

Indonesia faces the dual challenge of leveraging its demographic dividend while mitigating the risks posed by an aging population. The Central Statistics Agency reported just 1.5 million marriages in 2023, a 25.27 per cent reduction from a decade earlier. These figures, though only representing Islamic marriages in a country that is 87 per cent Muslim, are nonetheless indicative of a broader trend.

With fewer marriages occurring, the birth rate has also fallen. Indonesia's declining fertility rate is closely linked to the tempo effect, which refers to the timing of childbirth within a woman's life. Postponing childbirth can decrease fertility rates as biological factors make it more challenging to conceive at older ages. The total fertility rate (TFR) decreased from 2.7 offspring per woman in 2013 to 2.1 in 2023. This decrease poses challenges for maximising Indonesia's demographic advantage.

Japan faces a similar situation, with marriages falling below 500,000 in 2023 and birth rates dropping 5.1 per cent to an all-time low of 758,631. The National Institute of Population and Social Security Research predicts a 30 per cent population reduction by 2070. South Korea is facing the same issue with a significant and lasting decline in fertility rates since the early 1980s. But Indonesia's unique landscape presents distinctive challenges and opportunities.

Indonesia's National Population and Family Planning Agency has identified several factors contributing to this shift, including greater financial stability, higher education levels and sociocultural shifts, which vary between different regions. Economic pressures significantly influence the decision-making processes of young people in Indonesia. The surging cost of living, particularly in metropolitan regions, makes marriage and establishing a family financially daunting.

High housing prices coupled with rising education and healthcare expenses create substantial obstacles for young people considering marriage and parenthood. Many are opting to postpone these milestones until they feel more economically stable, or even foregoing them altogether, prioritising career progression and personal financial stability. This trend is particularly noticeable in large cities, where high expenses make maintaining a family too burdensome for many.

Traditional views of marriage as a sacred institution symbolising social status and fulfilling religious obligations are also being challenged, especially in urban areas with greater levels of education and economic independence. Modern pressures are leading more young people to question the necessity and desirability of marriage.

Women with higher education levels and greater financial independence are increasingly delaying or forgoing marriage. Educated women are more aware of opportunities for personal and professional growth, making them less dependent on men and more likely to delay marriage and childbirth.

Despite family expectations, there is increasing acknowledgement of individual freedom to make life choices. The rise of the childfree movement and the growing influence of social media are challenging traditional conventions and expectations. Domestic violence in Indonesia is also a pressing concern that may be discouraging some women from starting families.

If Indonesia's working-age population continues to shrink, there might not be enough workers to support the growing elderly population. This could hinder economic growth and impede Indonesia's goal of becoming one of the world's five largest economies by 2045.

But as the fourth-most populous country in the world, Indonesia also has the opportunity to drive its human development forward, particularly in the domains of education, literacy and general well-being. Indonesia's Human Development Index increased to 74.39 in 2023, a growth of 0.62 from the previous year, reflecting advancements in life expectancy, education and living circumstances.

Favourable indicators including higher life expectancy, projected years of education and average years of education demonstrate Indonesia's progress in human development. The life expectancy for newborns in 2023 reached 73.93 years, while the expected length of education for seven-year-olds rose to 13.15 years. These improvements highlight Indonesia's ability to use its demographic trends to raise the quality of its human capital.

Maternal mortality remains a significant challenge in developing countries, and lower marriage rates can reduce this risk. Delayed marriage is often linked to better health outcomes, as women who marry later are generally more prepared for childbirth and are less likely to experience health complications. Lower marriage rates are also associated with higher educational attainment and enhanced financial stability, factors that improve access to and effective utilisation of maternal health services.

Indonesia must also manage population expansion while enhancing quality of life despite the challenges of an aging population. Key focus areas include fostering young talent, creating high-quality employment, boosting productivity, increasing women's workforce participation and enhancing law enforcement to safeguard women and children. Collaborative efforts among ministries, local governments and the private sector are essential for effective outcomes.

To counter declining fertility rates linked to delayed childbearing among working women, governments should implement family-friendly policies like improved parental leave and affordable childcare. Financial incentives and public awareness campaigns promoting the benefits of child-rearing could also encourage families to have children. Ensuring access to fertility services and fostering supportive workplace practices will help women balance work and family.

Regional demographic trends should also be considered when planning tailored infrastructure and services. In regions with declining TFR, governments should consider converting early education institutions into institutions for community or senior care, while in areas with growing TFR, governments must improve education and infrastructure.

As Indonesia's population ages, the government must adapt its policy approach accordingly. Raising the retirement age and reforming pension plans could help workers better prepare for old age. But this should be counterbalanced by differentiating job opportunities for older and younger employees to prevent crowding-out effects. Promoting healthy lifestyles from an early age would also help to lower healthcare costs for the elderly.

Despite these challenges, there are still opportunities to improve human capital and achieve long-term economic development. Indonesia has the opportunity to effectively navigate its demographic shift by examining other countries' experiences and adopting well-tailored policies.

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