



Indonesia's Demographic Transition:

Building Readiness Today for a Better Tomorrow

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About DBS Foundation

Established in 2014, DBS Foundation is dedicated to uplifting the lives and livelihoods of vulnerable communities across Asia. As the impact arm of Bank DBS Group, the Foundation provides essential needs and fosters inclusion by improving access to healthcare, education, food and nutrition, as well as financial and digital literacy.

It also nurtures innovative social enterprises and businesses for Impact that create positive impact. It aims to bring hope to those with less today, so no one is left behind and we can all face the future with confidence.

As Asia's populations age, DBS Foundation is committed to advancing more resilient and inclusive ageing societies. Through research, partnerships, ecosystem engagement, and support for innovative solutions, DBS Foundation seeks to enable everyone to age with dignity, purpose, and joy.

In 2024, DBS pledged up to SGD 1 billion and 1.5 million volunteer hours over the next decade to deepen support for vulnerable communities across Asia.

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Foreword

Across Asia, one of the most significant shifts we are experiencing today is demographic change. As people live longer, it is reshaping not only our economies but also our societies. Indonesia is at a pivotal point in this transition: while it still benefits from a large youth and working-age population, this demographic dividend is beginning to narrow as fertility declines and life expectancy increases. Harnessing the energy, skills and potential of young Indonesians is therefore critical to build the economic and social foundations for a more resilient ageing society.

This whitepaper, “Indonesia’s Demographic Transition: Building Readiness Today for a Better Tomorrow”, explores how Indonesia can harness today’s demographic dividend while preparing for an ageing future. It examines readiness gaps and opportunities across education, employment, health, financial resilience, social protection, and caregiving, while highlighting the disproportionate challenges faced by vulnerable groups, including low-income households, informal workers, and underserved communities. The paper calls for collective action from government, business, civil society, and individuals to ensure that no one is left behind as Indonesia navigates its demographic transition.

At DBS Foundation, we believe that resilience is built over a lifetime. Our work focuses on uplifting lives and livelihoods of vulnerable communities across Asia, strengthening their social and financial resilience by providing essential needs and financial and digital literacy skills. Beyond supporting vulnerable communities, we also nurture innovative social enterprises and businesses for impact that seek to create positive change. As societies across Asia navigate profound demographic change, we are focused on catalysing systemic, sustainable change through ecosystem partnerships to create lasting impact.

In Indonesia, our partnerships with organisations such as UNICEF Indonesia, Dicoding Indonesia and DoctorTool reflect this approach —from giving children a strong start through nutrition and education, to equipping young people with future-ready skills, and expanding access to healthcare through digital solutions. Together with many other partners, we are helping communities build resilience and thrive across generations.

Indonesia’s demographic transition does not have to mean greater dependency. Longer lives can mean longer periods of productivity, contribution and participation. DBS Foundation remains committed to championing inclusive growth and advancing solutions for longevity. We hope the insights in this report will galvanise broader partnerships and inspire collective action towards an age-forward future.



Karen Ngui

Head, DBS Foundation

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Introduction



Indonesia is approaching one of the most consequential demographic shifts in its modern history. The country is still enjoying the tail end of its demographic dividend, yet the foundations needed to support an ageing society remain underdeveloped.

As fertility declines, life expectancy rises and the family structure evolves, Indonesia has only a limited window to strengthen the institutions and systems needed to support a rapidly growing elderly population.

Expanding labour market opportunities, strengthening financial resilience, improving healthcare access, and reinforcing social protection will be essential to ensuring that longer lives are accompanied by healthier, more productive, and financially secure ageing. The central challenge is therefore not ageing itself, but whether Indonesia can transform longer lives into an economic opportunity.

Preparing for an ageing society requires looking beyond today's older people to the generations that will age tomorrow. As Indonesia's demographic structure changes, the social, financial, and health resilience built by today's working-age population will shape their quality of life in old age and reduce future pressures on families and support systems.

The Overlapping Generations (OLG) framework is an economic framework that views society as consisting of multiple generations that coexist and interact over time ¹

It emphasizes that the social and financial resilience of each generation is shaped not only by its own decisions but also by the institutions, policies, and intergenerational transfers that connect different generations before and after it.² This perspective reframes population ageing as an issue of long-term preparedness, emphasizing that the quality of life of future older adults depends on the economic opportunities, financial decisions, and institutional support accumulated throughout the life course. Accordingly, ageing policy should focus not only on supporting today's elderly, but also on strengthening the health, financial resilience, and social protection of the current working-age population.

The foundations of healthy and financially secure ageing are established decades earlier through education, productive employment, financial planning and pension participation throughout the working years. At the same time, the living conditions of today's elderly provide important insights into how effectively these systems have supported previous generations. Recognizing this interdependence, this paper adopts an Overlapping Generation framework, which views the productive-age and elderly populations as two interconnected parts of the same demographic transition rather than separate policy issues. Building on this framework, the paper is guided by three research questions.



First

To what extent does Indonesia face a readiness gap in preparing both the current working-age population and today's older adults for population ageing?



Second

How do education quality, employment quality, health, financial inclusion, savings behaviour and pension participation shape social and financial resilience across the life course?



Third

What cross-sectoral actions are needed to strengthen social and financial resilience and better prepare Indonesia for an ageing society?

To address these research questions, the paper is organized into four parts. It begins with an overview of Indonesia's demographic transition, providing the context for population ageing. It then examines the productive-age population, evaluating whether today's workers are accumulating the capabilities and resources needed to age successfully in the future. The following sections turn to the current elderly population to assess the readiness gap, healthy ageing, and financial resilience among older adults. Together, these two perspectives provide complementary evidence to answer the three research questions by linking current ageing outcomes with future ageing preparedness. The final section brings these findings together to identify strategic priorities for closing the readiness gaps and strengthening Indonesia's capacity to navigate an ageing future.

This focus on strengthening resilience across the life course reflects a broader conviction that individuals with fewer resources and less access to financial services, quality employment, and social protection are often the most exposed to the risk the accompany a rapidly ageing society. Combining support for immediate essential needs with longer-term efforts to build financial, health, and social resilience mirrors the OLG framework's central insight that no generation's wellbeing can be considered in isolation from the institutions and support available to the generation around it.

Building Resilience Across the Life Course

Uplifting vulnerability communities means strengthening the social and financial resilience of individuals and households across Asia, with efforts spanning both immediate and long-term needs.

- **Providing essential needs:** addressing immediate gaps in healthcare, basic educations, food security, and quality of life, with a particular focus on children and seniors.
- **Fostering inclusion:** helping vulnerable communities build toward a more financially resilient future through improved access to financial services, financial and digital literacy, and upskilling opportunities that boost employability.

This dual focus reflects the conviction that resilience must be built across the entire life course, not only in old age. By strengthening employment quality, financial inclusion, and social protection during the working years, today's population – across all backgrounds – can be better equipped to face the risks of ageing, turning population ageing from a looming vulnerability into a shared opportunity for a more inclusive Indonesia.

The analysis in this paper applies the BPS classification for demographic statistics while using the legal definition of 60 years and above in the broader discussion of ageing and related policies.



Older adults (*lanjut usia* or *lansia*) are legally defined as individuals aged 60 years and above under Law No. 13 of 1998 on Elderly Welfare. This paper adopts this definition when discussing the characteristics and well-being of the elderly population.



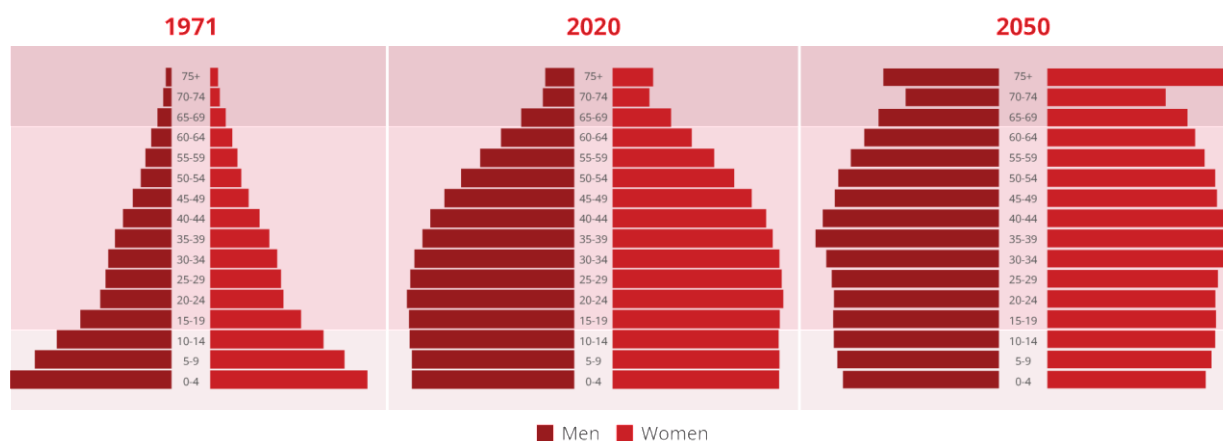
Demographic indicators published by Statistics Indonesia (BPS), including the population age structure and old-age dependency ratio, follow the conventional age classification of 0–14 years (children), 15–64 years (working age), and 65 years and above (older population).

Indonesia's Demographic Transition

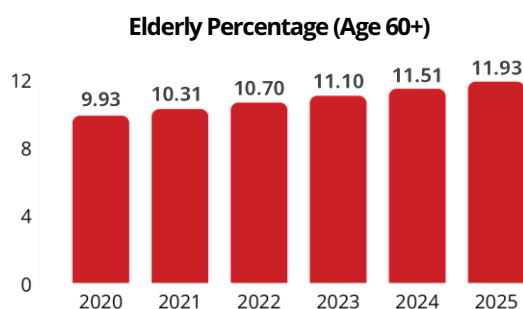


Indonesia's population structure is changing rapidly as decades of declining mortality and sustained reductions in fertility reshape the balance between age groups. **The proportion of children is gradually decreasing, while the share of older adults is rising, marking the transition toward an ageing society.** At the same time, growth in the working-age population is beginning to slow, signalling that Indonesia is approaching a demographic turning point. The demographic dividend generated by a large working-age population is therefore temporary, and its window of opportunity is gradually narrowing. For an emerging economy like Indonesia, this transition presents both opportunities and challenges.

Indonesia's Population Pyramid



Source: Badan Pusat Statistik (BPS), Statistics of Elderly population 2025



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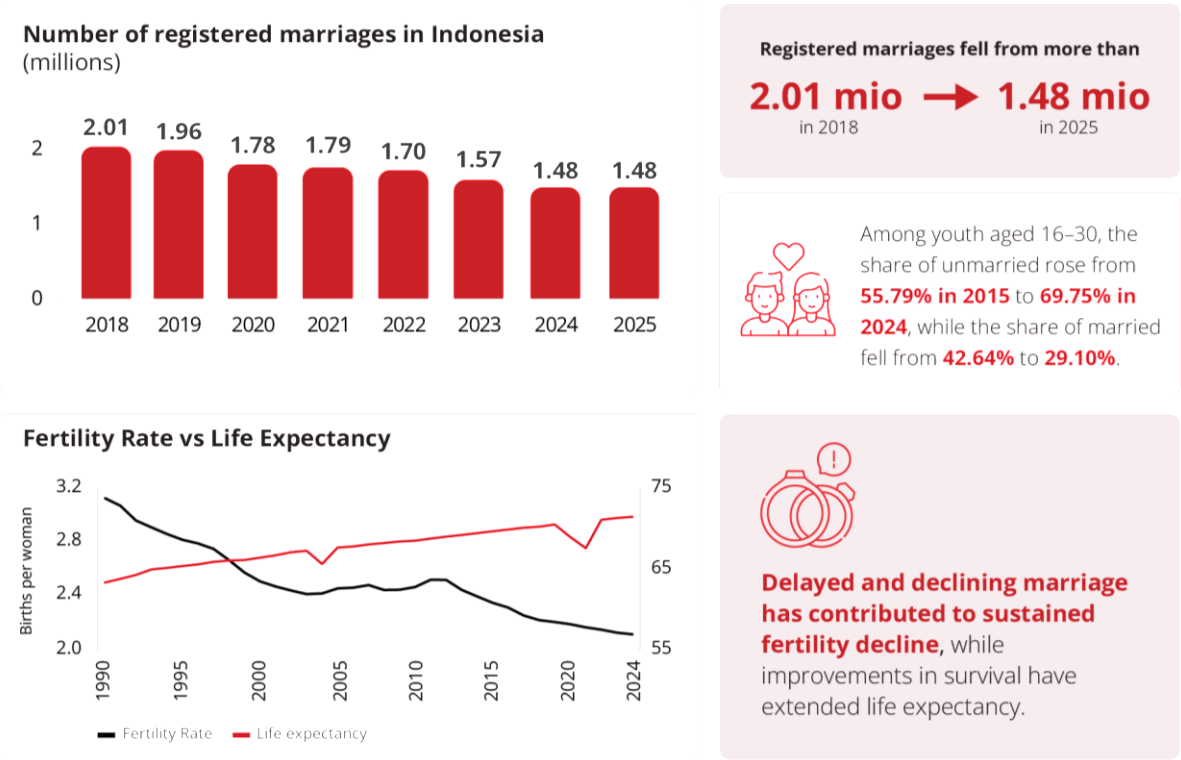
Between 1971 and 2020, Indonesia's population pyramid evolved from a triangular shape with a broad base dominated by children to a fuller middle as fertility declined and survival improved. By 2050, it is projected to become more urn-shaped, with a narrower base and broader older-age groups. This transformation is also evident in the population's age composition as the share of children declined from 44.12% in 1970 to 23.46% in 2025, while the working-age population increased from 53.39% to 68.95%, underpinning Indonesia's demographic dividend.

Indonesia entered the ageing-population phase in 2021, when the share of people aged 60 and above reached 10.31%, exceeding the 10% threshold. By 2025, this share had increased further to 11.93%.

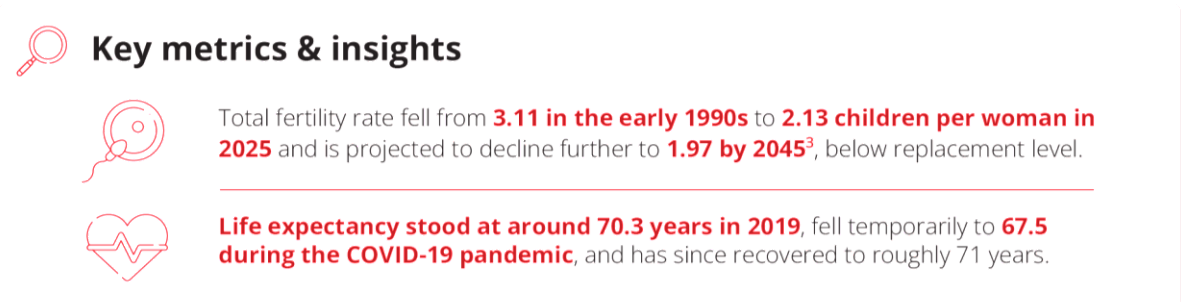
As the working-age population approaches its peak and the proportion of older people continues to rise, Indonesia's demographic-dividend window will gradually narrow. Understanding the forces driving this transition is therefore critical to assessing its pace and wider implications.

Marriage, Fertility and Longevity

The demographic transition is being driven by three mutually reinforcing trends: declining marriage rates, falling fertility, and rising life expectancy. Together, these trends are reshaping the country's population structure by reducing the number of births while increasing the proportion of older adults. This shift will mean fewer working-age Indonesians per older adult, increasing pressure on the sandwich generation supporting children and ageing parents. Indonesia must therefore harness its remaining demographic dividend to strengthen readiness for ageing before these pressures intensify.



How these trends interact

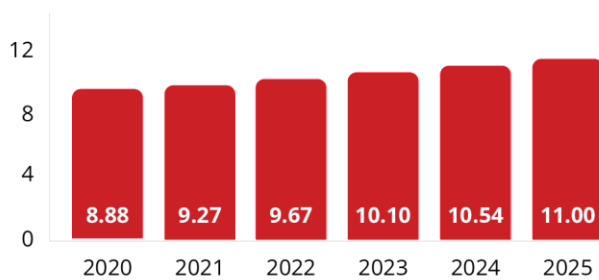


Demography of Older Adults

Indonesia has experienced a steady increase in both the size and proportion of its elderly population over the past decade. As population ageing accelerates, changes in the demographic profile of older adults are reshaping the country's dependency structure and increasing the demand for healthcare, social protection, and long-term care.



Elderly Dependency Ratio



The dependency ratio shows how many older adults there are for every 100 working-age people⁴.

The dependency burden is rising

In 2020



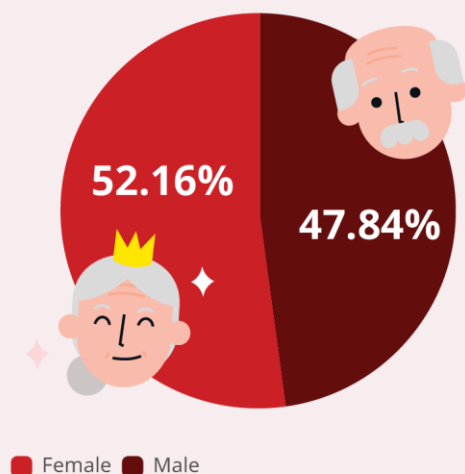
In 2025



In 2025, there was approximately **one older person was supported by approximately nine working-age people**, compared with one for every eleven in 2020.



Gender distribution of the elderly population

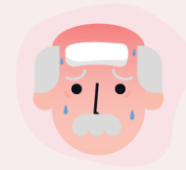


Women live longer, but not necessarily healthier.

Share of older adults reporting health complaints in the previous month



Women
45.50%



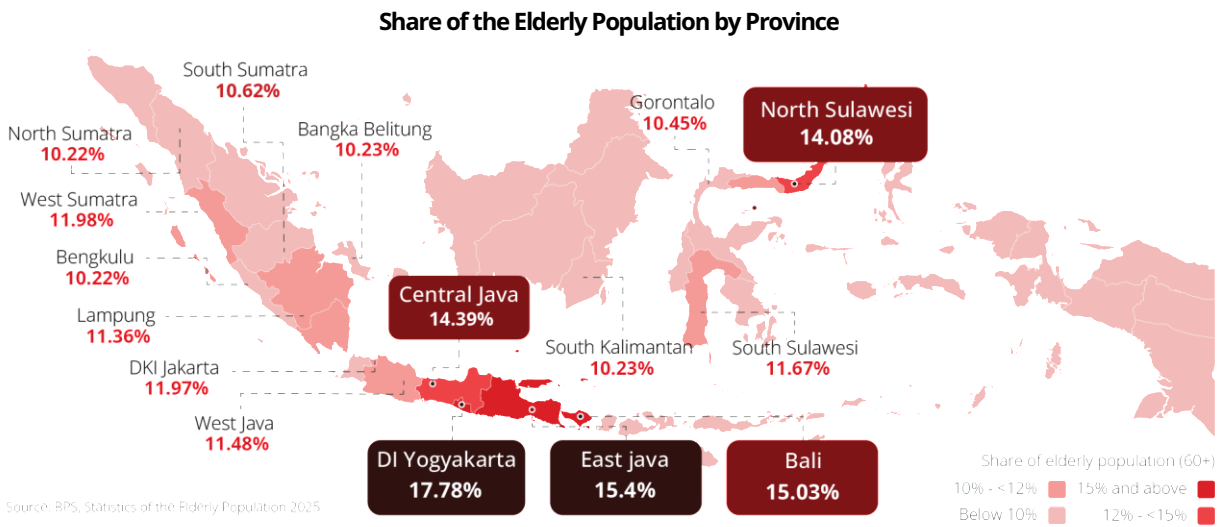
Men
42.41%

Women tend to outlive men but may spend a greater share of later life with chronic illness, disability, or functional limitations.

Source: Badan Pusat Statistik (BPS), Statistics of Elderly population 2025

Where Ageing Is Happening

Population ageing is not occurring uniformly across Indonesia. Differences in fertility, mortality, life expectancy, and migration have placed provinces at different stages of the demographic transition, resulting in substantial variation in the pace and extent of population ageing.



16
provinces
have entered
an ageing society
(≥10% of the population aged 60 years and above)

Top 5 Provinces by Elderly Share

1	DI Yogyakarta	17.78%
2	East Java	15.40%
3	Bali	15.03%
4	Central Java	14.39%
5	North Sulawesi	14.08%

These provinces are further along in the demographic transition and may face ageing-related challenges earlier than others.

3 Pathways to an ageing province

Lower Fertility

Fewer babies are born, reducing the share of children in the population.

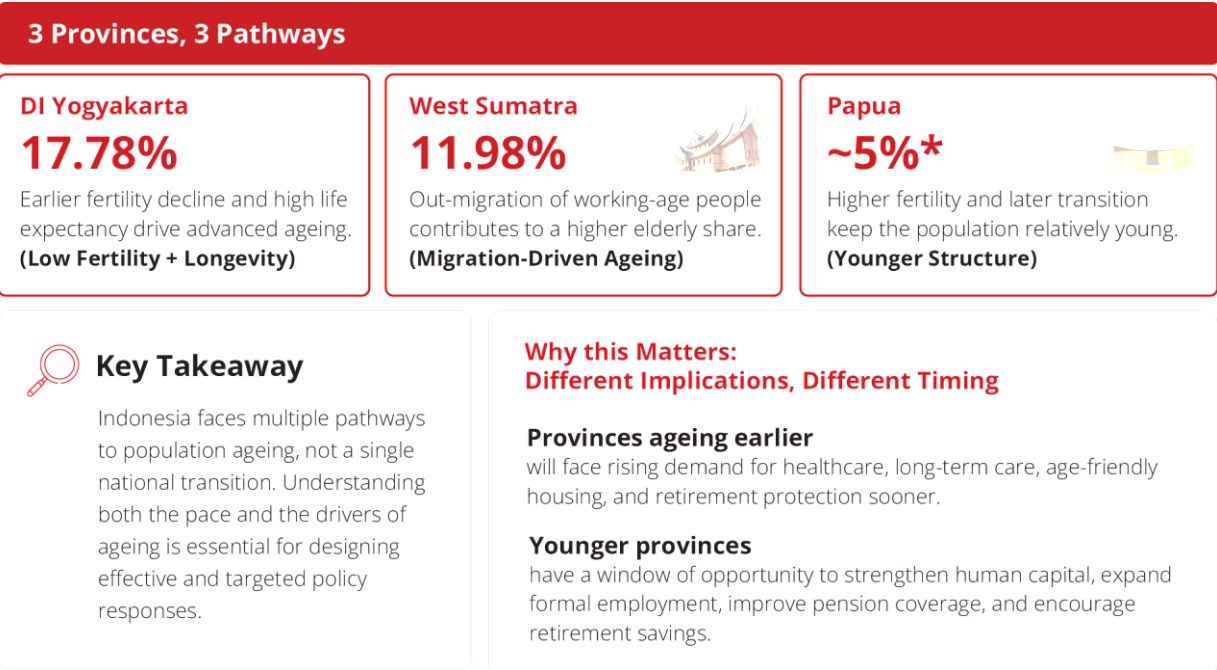
Longer Survival

People are living longer, increasing the share of older people in the

Out-Migration of Working-Age people

When younger people move away, the older population makes up a larger share even without increasing in number.

A Province's elderly share is shaped by the interplay of these three forces. Therefore, the same share can have different meaning across regions. A higher elderly's share is not inherently better or worse – it simply reflects a different demographic pathway, requiring a tailored policy response rather than province-to- province comparison.

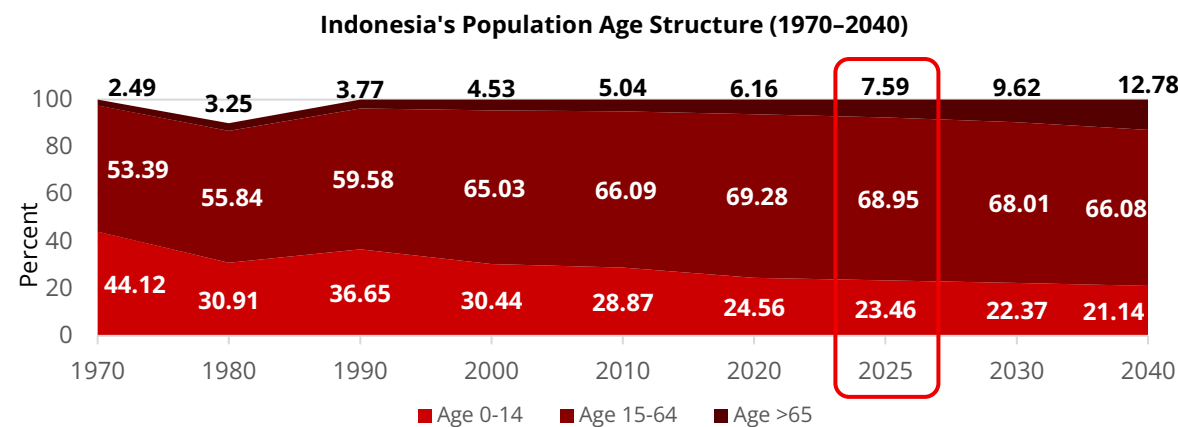


Tomorrow's Elderly: Building Readiness Today



From an Overlapping Generations perspective, the social and financial wellbeing of future older populations is shaped long before individuals reach old age. Financial decisions and opportunities throughout the working years including education, participation in the labour market, savings behaviour, retirement planning, and access to financial products determine individuals' capacity to remain financially independent later in life. Assessing the readiness of today's productive-age population is therefore essential to understanding Indonesia's preparedness for population ageing.

Strengthening this readiness is increasingly important because Indonesia's current demographic advantage will not last indefinitely. The working-age population still accounted for 68.95% of the population in 2025, but the figure below shows that its share has begun to level off and is projected to decline gradually. A large working-age population alone is therefore insufficient because today's workers must also have the education, quality employment, financial capability, health, and social protection needed to build resilience for later life.



Source: Statistics Indonesia (BPS), Analisis Profil Penduduk Indonesia (2022); BPS, Population by Age Group and Sex, 2025; authors' calculations.

Indonesia consequently has a limited window to translate its demographic dividend into lasting preparedness for population ageing. This section assesses the readiness gaps facing the current productive-age population, focusing on education, labour-market conditions, financial capability and retirement protection, as well as the foundations for healthy and productive ageing.

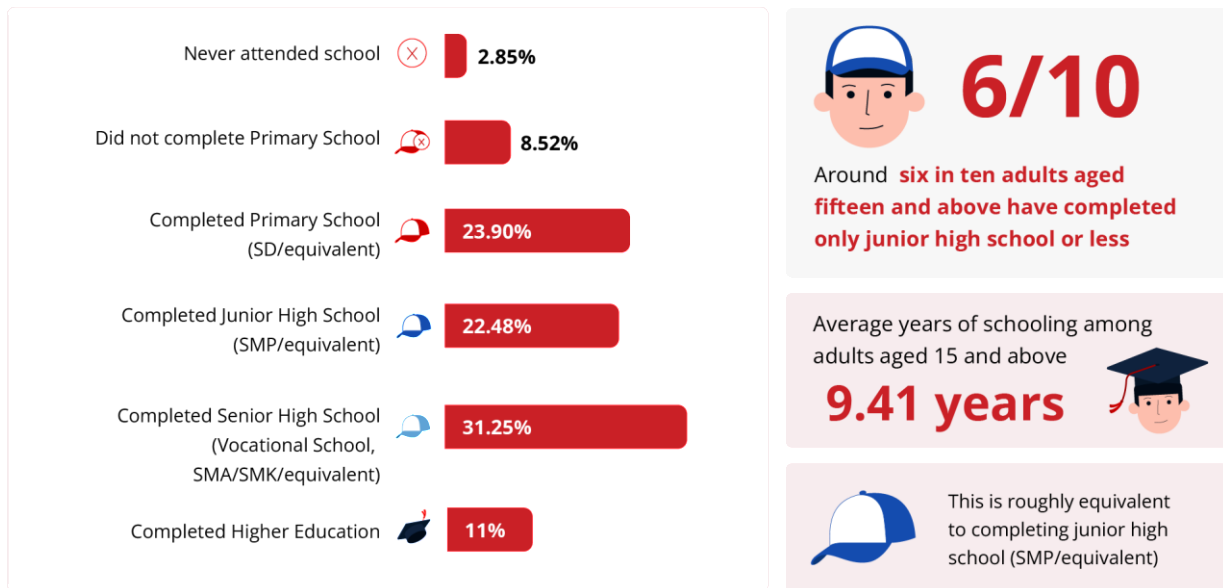
Readiness Gap

Retirement security is shaped not only by individual saving decisions, but also by the quality and stability of employment throughout the working years. Workers with secure jobs, predictable incomes, and access to social protection are better positioned to accumulate savings and pension entitlements, while those in informal, low-paid, or unstable employment often have limited capacity to prepare for retirement. Assessing Indonesia's readiness gap therefore begins with the education gap followed by labour-market conditions that determine whether today's workforce can build adequate protection for later life, financial condition, pension coverage, and healthy ageing.

Education Gap

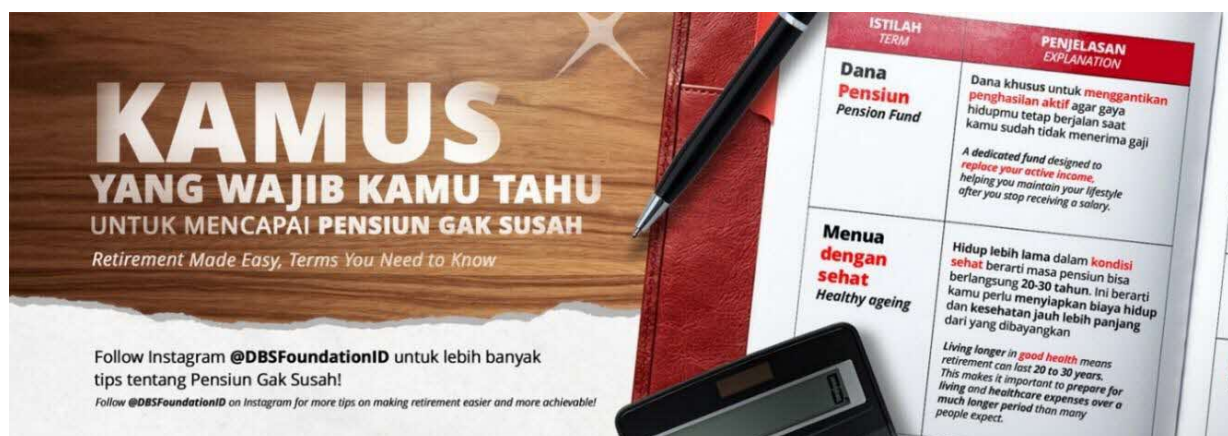
Retirement security begins with education. The years a person spends in school shape not only their earning potential, but also the type of employment they can access which by extension affecting their capacity to save, accumulate assets, and build financial resilience for old age. Assessing Indonesia's readiness for population ageing therefore requires a close look at the educational foundation of today's workforce, the generation that will become tomorrow's elderly.

Educational Attainment of the Productive Age (2025)

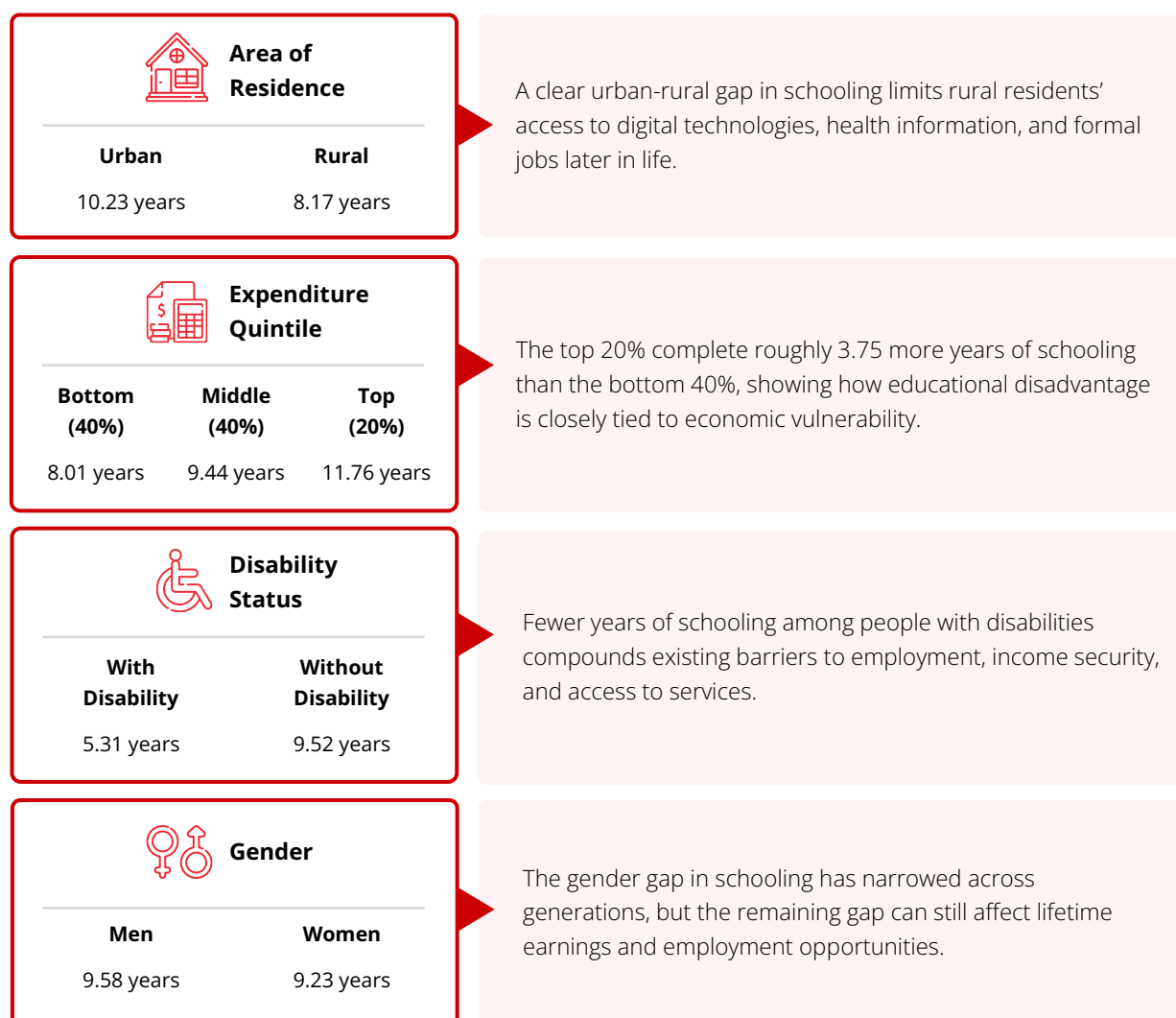


Source: BPS, National Socio-Economic Survey (SUSENAS), 2025

Only around 11% of Indonesia's productive-age population has completed higher education, while more than half have gone no further than junior high school or below—including 23.90% who completed only primary school, 8.52% who did not finish primary school, 2.85% who never attended school at all, and 22.48% who completed only junior high school. Senior high school remains the most common highest level of education, completed by 31.25% of the workforce, but this is often insufficient on its own to access higher-skilled, higher-paying formal employment. This distribution suggests that much of today's productive-age population carries an educational foundation that may constrain their long-term earning potential—and, by extension, their capacity to save and prepare financially for old age.



Average Years of Schooling by Characteristics (2025)



Source: BPS, National Socio-Economic Survey (SUSENAS), March 2025

These educational gaps reflect broader patterns of inequality. Working-age Indonesians in rural areas average two fewer years of schooling than those in urban areas, while the poorest 40% trail the wealthiest 20% by nearly four years. The disparity is widest among people with disabilities, who average only 5.31 years of schooling compared with 9.52 years among those without disabilities. Although gender gaps have narrowed, they continue to shape employment opportunities and lifetime earnings.

As a result, many workers enter the labour market without the qualifications required for higher-skilled jobs, reinforcing informality and limiting their ability to build stable incomes and retirement savings. Indonesia's human-capital foundation is therefore not only insufficient but also unevenly distributed making it as a disadvantage today's workers risk carrying into old age.

Labour Market Barriers to Retirement Protection

Indonesia's labour market provides an uneven foundation for long-term financial security. Among the structural challenges facing Indonesia's labour market is prolonged transition from education to employment, nearly two years (19.8 months) on average⁶. Workers with secondary education or below, who make up much of the labour force, often have limited access to higher-skilled formal employment and may therefore accept whatever work is available, including lower-skilled, blue-collar, and informal jobs with less stable earnings. These labour-market weaknesses have consequences that extend into old age.

Face with limited access to stable formal employment, many workers turn to self-employment instead—including starting their own micro, small, and medium enterprise (UMKM). This shift is closely linked to Indonesia's open unemployment, which stood at 7.46 million people as of August 2025⁷. Rather than remaining unemployed, many working-age Indonesians instead create their own livelihoods through self-employment or small business ownership. While self-employment and MSME ownership can provide an important buffer against unemployment, they often lack formal contracts, payroll-based contributions, and employer-sponsored benefits that facilitate long-term retirement saving. Moving from unemployment into self-employment therefore provides income but does not necessarily close Indonesia's retirement-readiness gap.

Retirement readiness is built throughout the working years, but the extent to which workers can prepare for later life depends heavily on the quality, stability, and protection associated with their employment. **The ageing challenge begins during the productive years—not when people become old.** In Indonesia, persistent labour-market informality therefore creates a structural gap between participation in work and preparation for retirement, weakening the country's ability to translate its demographic dividend into lasting financial resilience.



Source: BPS Statistical Yearbook of Indonesia 2026

More than half of the workforce is employed in the informal sector, while only around 40.6% works in formal employment. Informal employment remains concentrated in sectors such as agriculture, wholesale and retail trade, as well as accommodation, food service activities and self-employed where productivity, earnings, and employment stability tend to be lower than in the formal economy. Although these sectors continue to provide an important source of livelihoods, their employment characteristics often limit workers' ability to accumulate long-term assets and access contributory social protection.

Much of this informal employment takes place within Indonesia's vast UMKM sector. According to Indonesia's Ministry of Cooperatives and SMEs, the number of UMKM reached more than 64.2 million business units in 2024, or approximately 99.99% of all business units in the country, absorbing more than 123 million workers⁸—roughly 97% of the national workforce. However, the large number of MSMEs does not automatically translate into stronger retirement protection. Since most are micro-scale, informal, or unregistered, many business owners and workers remain outside formal contracts, payroll-based contributions, and social protection schemes that support long-term saving.

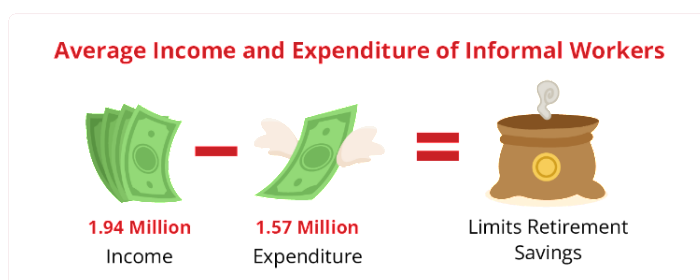
The problem is not informality alone, but the quality of employment associated with it. Many informal workers face low and irregular earnings, limited job security, weak access to employment benefits, and few opportunities for wage progression. This makes it difficult to meet immediate household needs while also setting aside income

for retirement. Even when workers are economically active throughout their productive years, unstable and low-productivity employment may prevent that participation from translating into long-term financial security.

Since Indonesia's retirement system remains predominantly employment-based, these labour-market weaknesses become a structural barrier to retirement preparedness. **Formal workers are generally enrolled automatically in mandatory pension programmes through their employers, whereas informal workers must participate voluntarily despite facing irregular incomes and greater financial uncertainty.** As a result, many workers are unable to contribute consistently throughout their careers, leaving a substantial share of the workforce without adequate retirement savings or pension entitlements by the time they reach old age.

Financial Constrains on Retirement Preparedness

Strengthening financial capability alone will be insufficient unless it is accompanied by broader efforts to expand access to retirement protection and improve pension participation throughout the working life. Labour market conditions play a central role in determining retirement preparedness because access to pension programmes remains closely linked to formal employment. Indonesia's labour market, however, continues to be dominated by informal employment.



Source: Statistic Indonesia (BPS), Statistical Yearbook of Indonesia, (2026)

Under these conditions, financial decisions are naturally directed towards meeting immediate consumption needs rather than building long-term financial resilience. Consequently, low participation in retirement savings reflects not only limited financial literacy or individual preferences, but also structural constraints arising from insufficient and unstable incomes.

Under these conditions, limited retirement saving cannot be explained by financial literacy or individual choice alone. Retirement preparedness is therefore shaped by several overlapping constraints. Informality, limited household financial capacity, and changing saving as well as consumption patterns reinforce one another, reducing workers' ability to accumulate savings for old age.



Persistent labour market informality

- More than half of the workforce is informal.
- Many informal workers are in low-productivity jobs or are self-employed, including those running micro and small businesses.
- Low and irregular earnings, job insecurity constrain retirement savings.



Limited household financial capacity

- Income is mostly used for daily consumption.
- Very limited space to save.
- Low financial literacy reduces the ability to make long-term financial decisions.



Changing saving to consumption patterns among younger generations

- Higher tendency to spend today rather than save for the future.
- Lifestyle and digital consumption increase pressure on current income.
- Weakens long-term retirement preparedness.

Unless these structural and behavioural challenges are addressed while Indonesia is still benefiting from its demographic dividend, the country risks entering an ageing society before a large share of its working-age population has achieved adequate financial preparedness for retirement. Retirement preparedness cannot rely solely on individual saving behaviour. It requires coordinated reforms that improve employment quality, expand pension coverage, strengthen financial capability, and integrate social protection across the life course.

Financial Capacity for Retirement Preparedness

Financial preparedness for population ageing begins long before individuals reach retirement. Throughout the working years, financial literacy and access to appropriate financial products influence households' ability to accumulate assets, manage financial risks, and prepare for retirement⁹

Stronger financial capability enables individuals to make informed financial decisions that enhance resilience in later life, while inadequate financial capability increases the risk of financial vulnerability during old age.

Financial Literacy and Inclusion index by Age Group



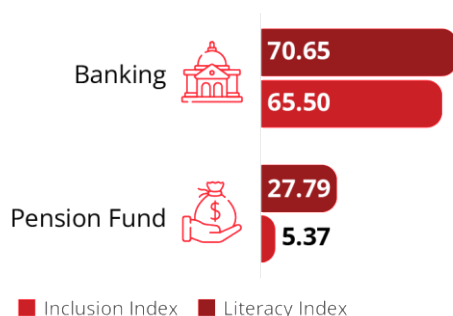
Source: OJK, National Survey of Financial Literacy and Inclusion (SNLIK) 2025¹⁰

The 2025 National Survey of Financial Literacy and Inclusion (SNLIK) reveals a clear gap between financial access and financial capability in Indonesia. Financial inclusion around 90% or even above across most age groups, yet literacy remains at only around 73-74% among people aged 18-50. This suggests that widespread access to financial services has not been matched by an equivalent ability to understand and use them effectively.

This gap has important implications for retirement preparedness. **Access to bank accounts, insurance, investment products, or pension schemes does not automatically lead to informed saving and long-term planning.** Building financial resilience therefore requires not only broader inclusion, but also stronger financial capability throughout the working years so that individuals can manage risks, accumulate assets, and prepare adequately for retirement.

Limited Pension Coverage

Pension coverage is a critical component of retirement security, yet it remains underdeveloped in Indonesia. Unlike banking services, which are widely used for everyday transactions, pension products require sustained contributions over many years and are closely linked to employment stability and income security.



Source: OJK, National Survey of Financial Literacy and Inclusion

The 2025 SNLIK shows that pension-fund literacy reached 27.79%, while inclusion was only 5.37%. This wide gap may reflect the practical barriers that prevent awareness from translating into participation. Many workers face irregular incomes, limited capacity to make long-term contributions, and weak incentives to join, particularly in the informal sector where enrolment is voluntary. Pension coverage therefore remains low not simply because workers lack information, but because many are not financially or institutionally positioned to participate consistently.

These barriers become clearer when pension provision is viewed within Indonesia's broader social protection system. Although the framework includes several programs covering different risks across the life course, their distinct objectives, eligibility rules, financing mechanisms, and target groups leave substantial gaps—particularly in retirement protection. Indonesia's social protection framework consists of several major programs that address different dimensions of welfare across the life course.

Indonesia's retirement protection challenge lies not only in limited coverage, but also in the fragmented architecture of its social security and pension system.



**Jaminan Hari Tua,
JHT**

BPJS Ketenagakerjaan administers JHT, a mandatory savings programme jointly funded by workers and employers to provide a lump-sum benefit in old age.



**Jaminan Pensiun,
JP**

Pension Security (JP) is a contributory pension programme that provides participants with monthly income after retirement.

Old-Age Security (JHT) operates primarily as an accumulated savings scheme rather than providing a guaranteed stream of retirement income. Because balances may be withdrawn when employment ends, JHT does not necessarily function as a dedicated long-term retirement instrument. Pension Security (JP), by contrast, provides periodic pension benefits, but remains largely tied to formal wage employment, leaving much of the informal and self-employed workforce without equivalent pension protection.

Tomorrow's Elderly: Building Readiness Today

Other BPJS Ketenagakerjaan programs provide complementary protection against risks that can affect workers' ability to build financial resilience over their working lives.



Jaminan Kehilangan Pekerjaan, JKP

Job Loss Security (*Jaminan Kehilangan Pekerjaan, JKP*), introduced in 2021, cushions income shocks following job loss and can help reduce the need for early JHT withdrawals. Its reach remains limited, however, because it is restricted to eligible formal-sector workers, while awareness and utilization among eligible workers remain relatively low.



Jaminan Kecelakaan Kerja, JKK

Work Accident Security (*Jaminan Kecelakaan Kerja, JKK*) provides protection against work-related accidents through medical care, income replacement, and disability and death benefits.



Jaminan Kematian, JKM

Death Security (*Jaminan Kematian, JKM*) provides financial assistance to surviving family members through lump-sum death benefits but does not provide long-term survivor income protection. Neither JKK nor JKM is designed to provide retirement income.

Separate arrangements apply to specific public-sector groups, Tabungan Hari Tua (THT) is an old-age savings programme for civil servants and military or police personnel, administered by TASPEN or ASABRI.



TASPEN provides pension and social insurance protection primarily for civil servants and other eligible public officials.



ASABRI covers military and police personnel and other eligible defense-sector employees.

These schemes provide more structured retirement protection but are limited to relatively narrow occupational groups.



Dana Pensiun Pemberi Kerja, DPPK

Beyond these mandatory social security arrangements, Employer Pension Funds (*Dana Pensiun Pemberi Kerja, DPPK*)



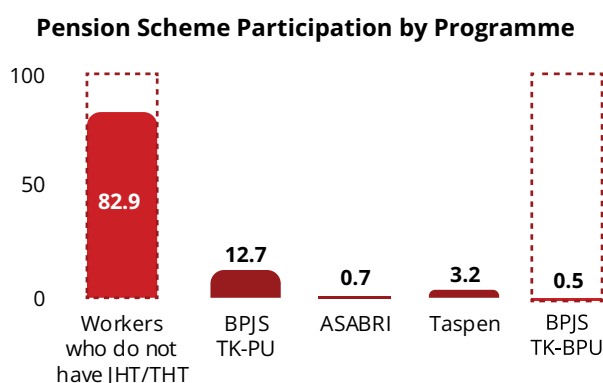
Dana Pensiun Lembaga Keuangan, DPLK

Financial Institution Pension Funds (*Dana Pensiun Lembaga Keuangan, DPLK*) provide additional channels for retirement savings.

DPPKs are established by employers for their employees, while DPLKs provide pension products through financial institutions and can accommodate individual participation. Their role, however, remains supplementary to the broader social security system and depends on employers or individuals having the capacity to make additional pension contributions.

Indonesia therefore has multiple programs addressing retirement, employment, disability, and mortality risks, but they do not yet constitute an integrated retirement protection system capable of providing broad, portable, and adequate income security across different forms of employment. The largest gap remains among informal and

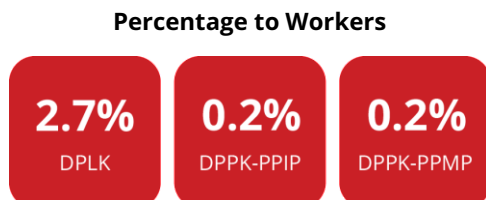
self-employed workers, highlighting the need for a retirement system that can follow individuals across changes in employment status and support financial resilience throughout the life course.



Sources: BPS, BPJS Ketenagakerjaan, TASPEN, ASABRI and Authors' calculations.

The limited reach of Indonesia's retirement protection system is also evident in actual participation. Despite the existence of several contributory schemes, 82.9%¹¹ of workers do not participate in any JHT or THT program. Coverage is concentrated among wage-earning workers enrolled in BPJS Ketenagakerjaan, while participation through self-employed and informal workers who register and pay contributions independently (*Bukan Penerima Upah - BPU*) category under BPJS Ketenagakerjaan, TASPEN, and ASABRI remains comparatively small. This indicates that the availability of programs alone has not been sufficient to provide broad old-age protection, particularly for informal and self-employed workers.

Only 12.7% of workers participate through BPJS Ketenagakerjaan's formal workers (*Penerima Upah - PU*) category, compared with just 0.5% through self-employed (BPU) category. This sharp difference reflects how retirement protection remains closely tied to formal wage employment. Although informal workers can participate voluntarily in JHT, irregular earnings, affordability constraints, and the absence of employer contributions make sustained participation more difficult. TASPEN and ASABRI provide stronger protection but together cover only a small share of workers because they are restricted to specific public-sector and security occupations.



Source: Data Portal Financial Service Authority (OJK)

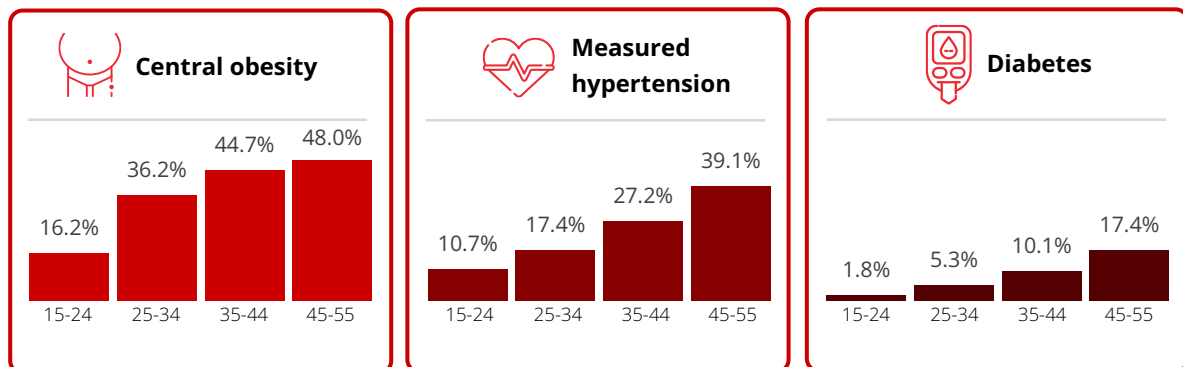
Voluntary pension programs such as Employer Pension Fund (PPMP), Employee Pension Fund (PPIP), and DPLK have likewise failed to reach participants beyond the mandatory pension system, as reflected in their small share of the working population – only 0.2%, 0.2%, and 2.7%, respectively. This further underscore how today's voluntary pension schemes remain fragmented, accessible mainly to higher-income earners while leaving the broader workforce without adequate coverage.

Indonesia's retirement protection gap is not simply the result of limited awareness or a lack of programs. The system remains closely tied to formal employment, while voluntary participation mechanisms are poorly suited to workers with low or irregular incomes. The possibility of withdrawing JHT after leaving employment further weakens its function as dedicated retirement savings. As a result, a large majority of workers risk reaching old age without a reliable source of retirement income, increasing their dependence on continued employment, family support, and public assistance. Financial resilience, however, means little without the health to enjoy it – underscoring the need to also examine Indonesia's readiness gap in healthy and productive ageing.

Healthy Ageing Gap

Healthy ageing is shaped long before people reach old age. In Indonesia, the central challenge is that risk factors for chronic disease are already accumulating from childhood and becoming increasingly visible throughout the productive years. Conditions commonly associated with later life such as obesity, hypertension, and diabetes are therefore no longer confined to older populations. Without stronger prevention, early detection, and sustained disease management, many Indonesians may reach retirement after decades of exposure to chronic health risks, reducing their productivity, lifetime earnings, financial resilience, and functional independence in later life.

Risks rise rapidly across the working years



Source: Ministry of Health of the Republic of Indonesia, Indonesia Health Survey (SKI) 2023



By ages 35-44, around 1 in 10 adults already had diabetes, while more than one-quarter had hypertension and more than two-fifths had central obesity.

The concern is therefore not simply that chronic conditions become more common with age. Earlier onset means that individuals may live with these conditions for longer, allowing complications to accumulate during their working lives. This can reduce labour productivity, increase healthcare spending, weaken the capacity to save for retirement, and raise the likelihood of disability and dependency in later life. At the population level, this early accumulation of health risks is reflected in the growing dominance of non-communicable diseases in Indonesia's overall disease burden.

Indonesia's broader epidemiological transition reinforces this concern. **Non-communicable diseases accounted for 70.12% of total disability-adjusted life years in 2023, compared with 37.82% in 1990.** Over the same period, the share associated with communicable, maternal, neonatal, and nutritional conditions declined substantially.

Indonesia is not only facing a larger older population, it may also face more people entering old age after living with chronic disease for many years ¹²

The objective of healthy ageing must therefore extend beyond increasing life expectancy. It must also increase the number of years people live in good health, with sufficient physical and cognitive capacity to work, participate in society, and remain independent. For Indonesia, however, evidence that longer lives are already translating into healthier later years remains mixed. Improvements in health and living conditions have contributed to rising life expectancy, but recent indicators show that this progress cannot be taken for granted. Longer lives are not automatically healthier lives. Indonesia's progress in longevity has not yet fully translated into consistently healthier later years.

BERAPA KEBUTUHANMU UNTUK

PENSIUN GAK SUSAH

How Much Do You Need to Retire with Ease

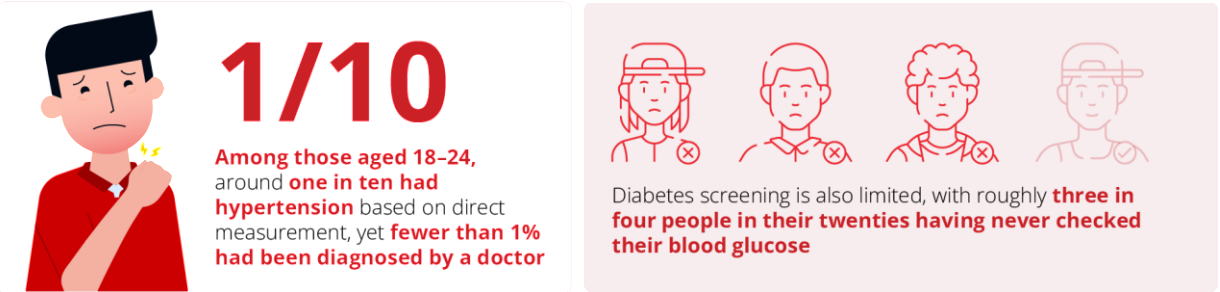
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Broad Health Coverage, but A Persistent Prevention Gap

Current foundation	Remaining readiness gap
 JKN  Private  Existing screening and health-promotion programmes  Greater availability of health information	Greater emphasis on treatment than prevention Unequal access across income and employment groups Low screening among younger adults and weak follow-up Limited awareness of undiagnosed chronic conditions



Many younger adults may already have chronic health risks without knowing it. This suggests that health coverage alone is not enough; stronger screening and follow-ups are needed to detect and manage these conditions earlier.

Jaminan Kesehatan Nasional - JKN provides an important foundation for access to healthcare, while private insurance and digital services can offer additional options. However, access to broader benefits and regular preventive care remains more attainable for higher-income and formal-sector workers. Informal workers with unstable incomes may be less able to undertake routine screening, access supplementary coverage, or absorb the indirect costs of seeking care.

Preparing for population ageing therefore requires a shift from treating chronic illness after it develops to protecting health throughout the life course. Stronger tobacco control, healthier food environments, workplace health programs, regular screening, effective follow-ups, and equitable access to preventive services would help preserve productivity during the working years while enabling future generations to enter old age with greater health, independence, and financial security.

Emerging Opportunities amid Persistent Risks

Positive Trends

-  More recreational exercise
-  Greater nutrition awareness
-  Higher mental health awareness
-  Growing use of digital health apps

Persistent Risks

-  Sedentary lifestyles
-  Ultra-processed foods
-  Tobacco use
-  Rising overweight & obesity

Greater interest in exercise, nutrition, mental well-being, and digital health provides an encouraging foundation for preventive behaviour.¹³ However, these developments have not yet been sufficient to offset the risks affecting much of the productive-age population. The 2023 Indonesian Health Survey (SKI) found that insufficient physical activity remained common among younger adults, while tobacco use, unhealthy diets, and obesity continued to expose workers to cardiovascular and metabolic disease.

This suggests that healthy choices cannot depend on individual awareness alone – they require a supportive wider environment, from food affordability to access to preventive services. Much like the gaps in education, employment, and financial capability discussed earlier, this points to a broader readiness gap – one that also represents a window of opportunity for Indonesia to prepare its workforce for old age.

Opportunities

The readiness gap in education, employment quality, financial capability, and health outlined throughout this chapter are not only risk to be managed, but also windows of opportunity.

	Current Condition	Market Opportunity
 Education & Reskilling	Much of the workforce completes only secondary education or below, limiting access to higher-skilled jobs.	Accessible reskilling and vocational training platforms to help workers transition into higher-skilled, higher-paying employment.
 Formal & Flexible Employment	Prolonged school-to-work transition and high informality limit stable employment.	Job-matching and career-guidance services to help workers, especially youth, move faster into stable, formal employment.
 Pension & Financial Product	Large informal workforce with still-limited pension coverage. Financial inclusion outpaces literacy.	Flexible, income-adjusted pension savings products align with irregular earnings, embedded financial education within digital financial services.
 Preventive Healthcare	Chronic condition such as hypertension and diabetes already emerging among workers in their 30s – 40s.	Workplace-based preventive health programs and affordable screening services to protect productivity and long-term resilience.

A better-educated, more formally employed, financially capable, and healthier workforce is the foundation for sustained labour-force participation, entrepreneurship, and economic contribution in old age – one in which longer, healthier lives translate into sustained labour-force participation, entrepreneurship, and consumption among older Indonesians. For instance, the large share of workers in the informal sector, combined with still-limited pension coverage for this group, represents a clear market opportunity – one that flexible, income-adjusted pension savings products could help capture, allowing contributions to align with irregular earnings rather than fixed monthly amounts. Similarly, workers with only secondary education or below could benefit from accessible reskilling platforms, while the gap between financial inclusion and literacy creates room for embedded financial education tools within digital financial services. Meanwhile, the early emergence of chronic conditions such as hypertension and diabetes among workers in their 30s and 40s points to demand for workplace-based preventive health and screening services that protect productivity well before retirement age.

Today's Elderly: Where the Gaps Remain



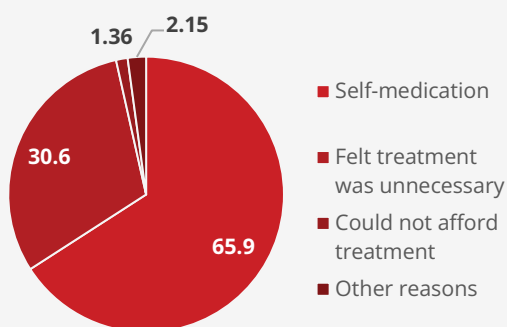
Assessing Indonesia's readiness for population ageing requires understanding not only the preparedness of the current working-age population but also the characteristics of today's older adults. The demographic and socioeconomic profile of the elderly provides important insights into the adequacy of existing health, social protection, support systems and financial resilience while highlighting the inequalities accumulated over the life course. This section examines the readiness gap from the perspectives of older adults, focusing on prospects for healthy ageing, and financial resilience, alongside an overview of their demographic profile.

Readiness Gap: Supporting Today's Elderly

Healthcare Readiness

Healthcare readiness must begin with the health needs of Indonesia's older population. Although both health complaints and morbidity declined substantially between 2018 and 2023, the trend has begun to reverse slightly. **In 2025, around 44 in every 100 older adults experienced health problems, with roughly half of them facing some limitation in their everyday activities.** The persistence of these needs highlights the importance of assessing whether Indonesia's health system can provide accessible, affordable, and continuous care as the elderly population expands.

Reason for Not Seeking Outpatient Care

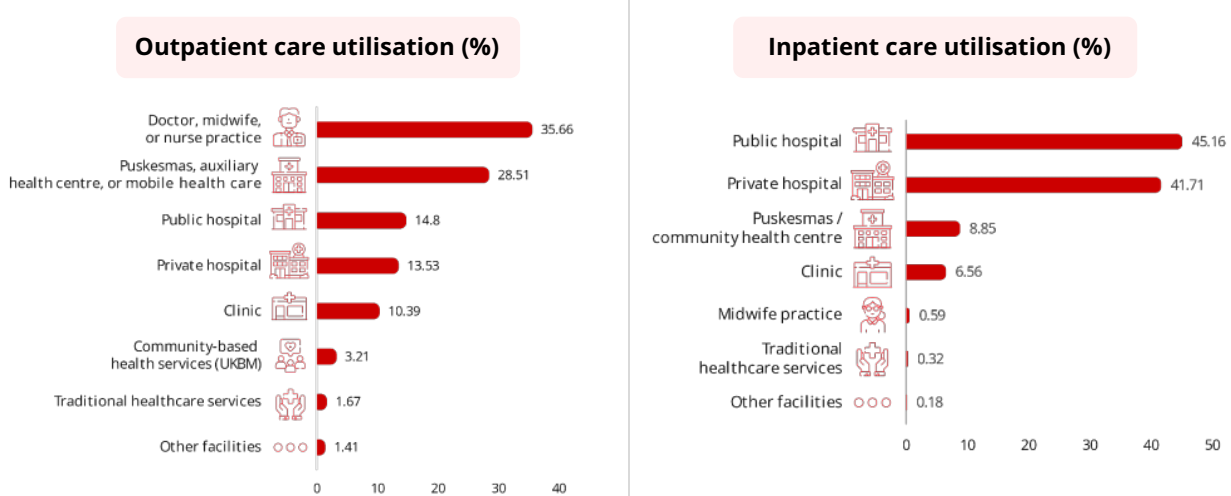


Source: Statistics Indonesia (BPS), National Socioeconomic Survey (Susenas), March 2025

Self-medication was the dominant reason older adults did not seek outpatient treatment, while another felt that professional treatment was unnecessary. Only 1.36% directly cited an inability to afford treatment, with 2.15% reporting other reasons. Direct financial constraints were therefore rarely reported as the primary reason for not seeking care. However, the pattern may also reflect limited health literacy, perceptions that symptoms are not sufficiently serious, preferences for self-treatment, or other non-financial barriers. High reliance on self-medication may delay diagnosis and treatment, particularly for chronic conditions that require regular monitoring.

Today's Elderly: Where the Gaps Remain

Percentage of Older Adults Receiving Outpatient and Inpatient Care by Type of Healthcare Facility



Source: Statistics Indonesia (BPS), National Socioeconomic Survey (Susenas), March 2025

The facilities used by older adults differ markedly according to the intensity of care required. Outpatient treatment is concentrated in frontline providers. Doctor, midwife, or nurse practices were the most frequently used facilities, at 35.66%, followed by Puskesmas, auxiliary community health centres, and mobile health centres. Public and private hospitals accounted for 14.80% and 13.53% of outpatient utilization, respectively. This pattern indicates that routine consultations and initial treatment are largely delivered outside hospitals, placing primary care at the centre of screening, chronic-disease management, and early referral.

Inpatient care follows a substantially different pattern. Public hospitals accounted for 45.16% of utilization, closely followed by private hospitals at 41.71%. Puskesmas and clinics played much smaller roles. The concentration of inpatient treatment in hospitals reflects the greater complexity and intensity of care associated with hospitalization. It may also point to the limited availability of intermediate care, rehabilitation, and community-based services for older adults who require more support than routine primary care but do not necessarily require highly specialized hospital treatment.

Together, these patterns show a care pathway in which primary-care providers serve as the main entry point, while hospitals deliver more intensive treatment. Its effectiveness depends on accessible, adequately staffed, age-friendly facilities and strong referral and follow-up systems. Limited community-based care also highlights gaps in prevention, monitoring, rehabilitation, and post-discharge support. The table below summarizes progress and remaining gaps in 2025.

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Elderly Healthcare Readiness in Indonesia, 2025		
	Current Capacity and Coverage	Remaining Readiness Gap
 Preventive healthcare	Approximately 87.9% of older adults received health screening in accordance with national standards.	Eight provinces still below the national target. Screening must also be followed by diagnosis, referral, and continuous treatment.
 Age-friendly primary care	Around 87% of Puskesmas provided age-friendly services for older adults.	Eight provinces remained below the national target, indicating regional differences in the availability of age-friendly primary care.
 Trained elderly-care workforce	6,017 Puskesmas had health workers trained in elderly and geriatric care.	4,208 Puskesmas still lacked trained personnel, potentially limiting the quality and consistency of elderly and geriatric care.
 Inclusive accessibility	Only 4.4% of Puskesmas provide disability-friendly services, limiting accessibility for older adults with functional limitations.	Accessibility remains limited, but the estimate should be treated cautiously as only 44.1% of Puskesmas reported data.
 Long-term care coverage	Only around 61% of dependent older adults received long-term care.	Six provinces below the national target, leaving continuous care for dependent older adults far from universal.
 Long-term care capacity	7,747 Puskesmas had received orientation on long-term care for older adults.	2,478 Puskesmas had not received orientation, limiting capacity for coordinated long-term care.

Source: Ministry of Health of the Republic of Indonesia, Laporan Kinerja Direktorat Pelayanan Kesehatan Kelompok Rentan Tahun 2025.

Indonesia has established a relatively broad foundation for elderly healthcare, particularly through health screening and age-friendly primary-care services. Yet readiness remains uneven in both depth and distribution. Many Puskesmas still lack personnel trained in elderly and geriatric care, while physical accessibility and long-term-care capacity remain limited or inconsistently reported. High national coverage therefore does not necessarily mean that services are equally accessible or capable of addressing complex care needs across all regions.

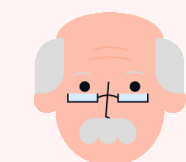
The readiness gap lies not only in whether services exist, but also in whether older adults can reach them, navigate referrals, receive appropriate follow-up, and continue treatment over time. These challenges become more pronounced as functional limitations and dependency increase, requiring assistance that extends beyond clinical care to rehabilitation, support with daily activities, home-based services, and sustained long-term care.

As the care treatment required become more complex, responsibility often shifts from healthcare facilities to families and informal caregivers. The next section therefore examines whether Indonesia's care and social-support arrangements are prepared to provide sustained support without placing excessive pressure on households and working-age family members.



Did You Know?

Longer Lives, Longer Productive Years



Cognitive ability 70
year old in 2022



Cognitive ability in
53-year-old in 2000

Population ageing does not necessarily mean a less productive society. As people live longer and remain healthier, later life can become an extended period of independence, participation, and economic contribution. **70 may be the new 53.** Across 41 advanced and emerging economies, the IMF found that the average 70-year-old in 2022 had the same cognitive ability as a 53-year-old in 2000. These improvements were associated with around 20 percentage points higher labour-market participation, six additional working hours per week, and 30% higher earnings—showing how healthier ageing can extend productive lives.

Source: IMF 2022¹⁴

Care and Social-Support Readiness

In Indonesia, responsibility for elderly care remains heavily concentrated within households, with spouses, children, and other relatives serving as the main caregivers. While family-based care provides an important source of support, its long-term sustainability may increasingly be challenged by smaller families, migration, women's growing labour-force participation, and the limited availability of formal caregiving and long-term-care services. When families are unable to provide care alone, support may be delivered through home- and community-based services or residential facilities. The key readiness question is therefore whether this combination of family and formal care can meet increasingly complex needs without placing excessive pressure on households and working-age caregivers.

Residential care homes can range from facilities that primarily provide accommodation, meals, and social activities to assisted-living and nursing facilities that support daily activities and more intensive health needs. In Indonesia, however, these categories remain weakly differentiated. Facilities are commonly grouped under terms such as *panti*, *panti werdha*, or *panti sasana tresna werdha*, despite substantial differences in the services they provide. Many operate primarily as social-welfare residences and are not designed to support older adults with complex dependency or continuous nursing needs. This distinction is important when interpreting the available figures, as the number of residential homes does not necessarily represent the supply of specialized long-term care, while the absence of comprehensive national registries also limits accurate estimates of facilities and caregivers.

Elderly Care Service Models and Their Development in Indonesia

	Scope of Care	Situation in Indonesia
 Residential care home (<i>panti werdha</i>)	Accommodation, meals, social activities, and basic assistance.	Operating as social-welfare residences rather than specialized care facilities.
 Assisted living	Housing with support for daily activities such as bathing, dressing, eating, and mobility.	Available in limited forms but not consistently classified as a distinct service category.
 Nursing home	Continuous nursing, personal care, rehabilitation, and medical monitoring.	Still limited, particularly for older adults with severe dependency or dementia.
 Day care	Daytime supervision, activities, and social support without overnight residence.	Available on a small scale, mainly in urban areas.
 Home care	Personal assistance, companionship, and nursing provided at home.	Delivered by families, volunteers, social organizations, and some private providers.

Note: These service types are not yet consistently differentiated within a unified long-term-care registration and accreditation system in Indonesia.

Source: World Bank 2022

Although these service models are conceptually distinct, Indonesia's elderly-care system remains fragmented and unevenly developed. Facilities are not consistently classified by their level of care, while registration, accreditation, and monitoring remain dispersed across institutions. Available national data are consequently limited and generally distinguish residential care homes by ownership rather than by service model, making it difficult to assess the actual availability of assisted-living, nursing, and other specialized long-term-care services.

Residential Care Homes by Ownership in 2020

	Number of homes	%
Central government 	3	1.1%
Local governments 	71	25.6%
Private and non-government organisations 	189	68.2%
Ownership not specified 	14	5.1%
Total	277	100%

Source: Asian Development Bank, Country Diagnostic Study on Long-Term Care in Indonesia (2021)

Across Indonesia, the 277 residential care homes had a combined estimated capacity of around 18,100 beds.¹⁵ Facility size varied, but this was equivalent to an average of approximately 65 beds per home. However, this should not be treated as specialized long-term-care capacity. Most *panti* or residential care homes were designed mainly to provide accommodation, meals, basic healthcare, and social support. Only around 3,620 residents which approximately 20% of total capacity were estimated to require additional care support. This suggests that most residential care homes were not primarily equipped to provide continuous personal care, nursing, rehabilitation, or dementia services.

Today's Elderly: Where the Gaps Remain

Recent data suggest that long-term care needs remain significant, particularly among the oldest population. SKI 2023 shows that dependency rises sharply with age, while Ministry of Health data indicate that around 61% of older adults with moderate, severe, or total dependency received long-term care in 2025, although coverage remains uneven across provinces and service capacity is still developing.¹⁶ Residential care also remains limited relative to potential care needs. This does not mean that all older adults requiring support should live in residential facilities, but it highlights the limited capacity of formal residential care to meet demand. As a result, most long-term care continues to rely on families and relatively limited home- and community-based services.

Expanding the number of residential care facilities alone will not be sufficient. The availability and quality of care also depend on an adequate supply of trained caregivers. **Indonesia has taken an important step towards professionalizing this workforce.**



SKKNI benchmark for elderly caregivers

(Minister of Manpower Decree No.28/2021)

Sets national competency standards covering personal care, mobility assistance, vital-sign monitoring, dementia support, end-of-life care, documentation, and supervision.



This provides a national benchmark for caregiver competencies.



Certification infrastructure (BNSP/LSP Caregiver)

Provides certification pathways for Caregiver (Pelaksana) and Caregiver Supervisor (Penyelia) based on recognized competency standards.

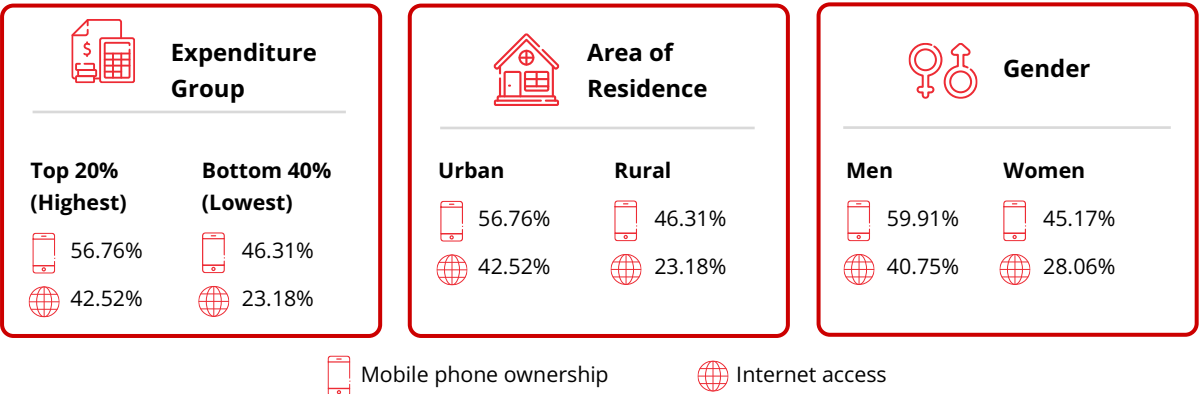


Certification now exists, but implementation and workforce coverage remain unclear.

The existence of national standards and certification schemes does not ensure that Indonesia has enough qualified caregivers or that standards are applied consistently across care settings. Caregiver-related certification is still delivered through different institutions and schemes, with varying combinations of competency and qualification levels. This variation can accommodate different job roles, but the absence of consolidated national data on certified caregivers, their location, employment status, and area of practice make it difficult to assess the actual size and distribution of the qualified workforce. The key readiness gap therefore lies not only in establishing standards, but also in expanding access to training and certification, aligning programs with the Indonesian National Work Competency Standards (SKKNI), and ensuring that residential, home-based, and community-care providers employ workers with competencies appropriate to the needs of older adults. In order to do that, it is essential for the government to develop an official, integrated national caregiver database that consolidates information on caregiver availability, qualifications, location, and service capacity across Indonesia. Beyond building stronger caregiving workforce, however, readiness also depends on whether older adults can access the services being built for them—a challenge increasingly shaped by the digital divide.

Access to Services and the Digital Divide

As healthcare, financial services, and government assistance become increasingly digitalized, digital access is becoming an important part of ageing readiness. Yet mobile-phone ownership does not necessarily translate into meaningful digital inclusion. **In 2025, only 52.23% of older adults used a mobile phone and 34.13% accessed the internet, indicating that a large share of older adults remains digitally excluded.** Access also varies considerably across socioeconomic groups, as shown below.



Source: BPS, National Socio-Economic Survey (SUSENAS), March 2025

Access also varies sharply across socioeconomic groups. Internet use ranged from 65.99% among the top 20% expenditure group to only 18.03% among the bottom 40%. Urban older adults were almost twice as likely to use the internet as those in rural areas, at 42.52% compared with 23.18%, while access was also higher among older men than women, at 40.75% and 28.06%, respectively. These gaps reflect inequalities in affordability, infrastructure, education, income, and previous exposure to technology.

As more essential services move online, digitalization may reinforce existing inequalities unless it is supported by affordable connectivity, digital-literacy assistance, age-friendly platforms, and continued in-person service channels. Digital readiness also affects older adults' ability to remain economically active, providing a bridge to their labour-market participation and employment conditions.

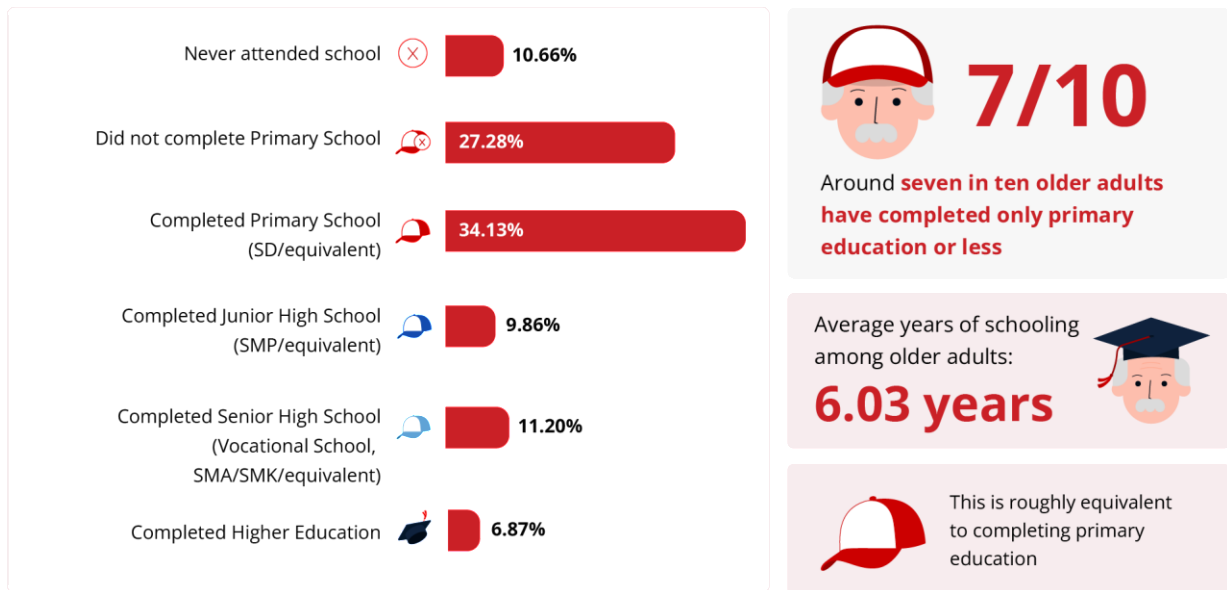
Financial Resilience: Economic Security in Old Age

The educational inequalities accumulated over the life course continue to shape financial resilience in old age through their effects on employment, earnings, savings, and access to retirement protection. For many older Indonesians, continued employment remains an important source of income. However, assessing financial resilience requires looking beyond whether older adults still work to examine the quality of their employment, the diversity and stability of their income sources, their access to financial services and pensions, as well as the extent to which they remain dependent on family support.

Education Gaps and Unequal Ageing

Disparities in older adults' employment, earnings, and savings are rooted in unequal educational opportunities accumulated over the life course. Education shapes employment prospects, lifetime earnings, pension participation, and the ability to understand financial, healthcare, and digital services.¹⁷ Because educational attainment is largely determined earlier in life, disadvantages experienced decades ago continue to affect independence and resilience in old age.

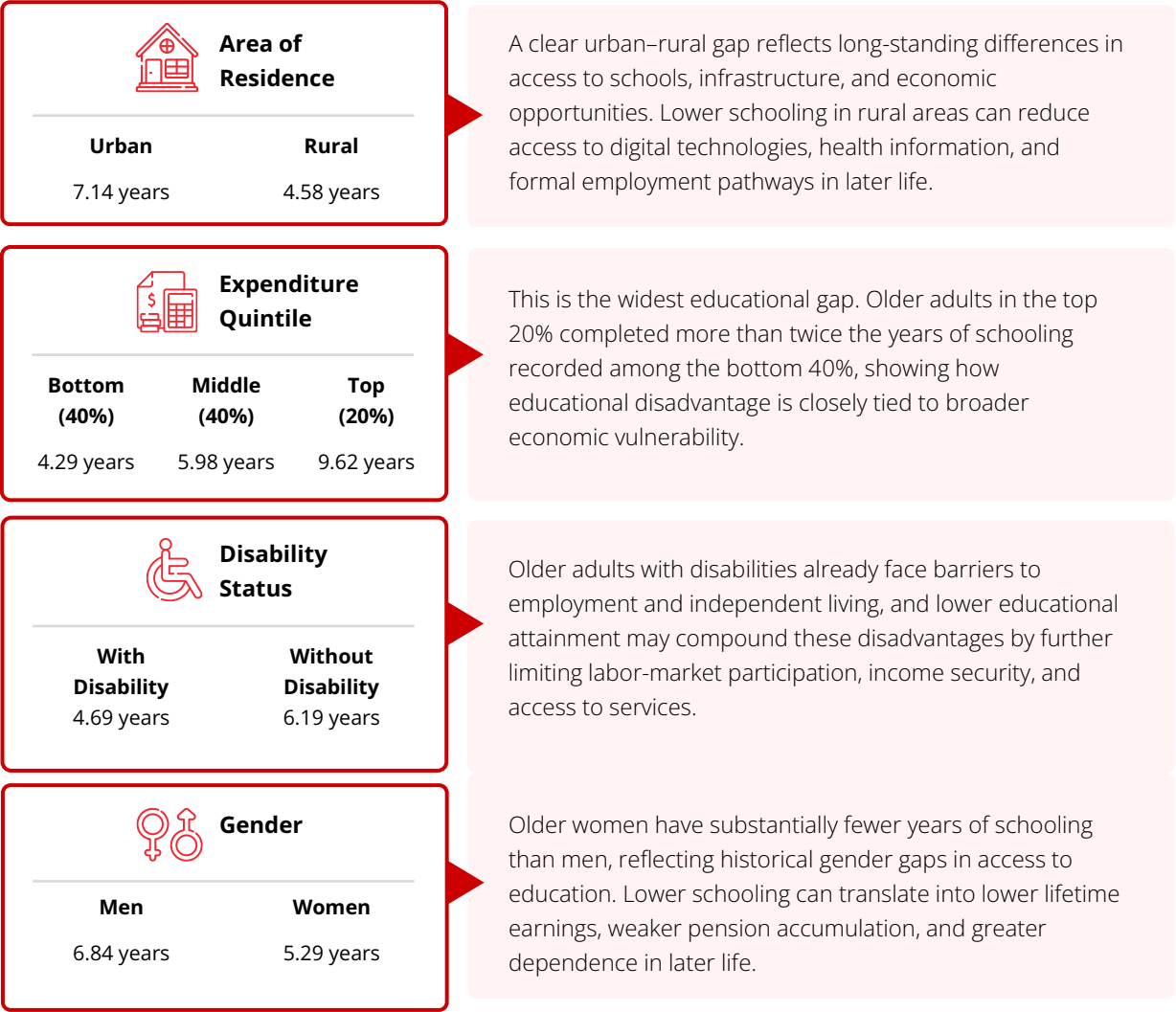
Educational Attainment of the Elderly (2025)



Source: BPS, National Socio-Economic Survey (SUSENAS), March 2025

This educational profile reflects the limited access to formal education experienced by older generations during earlier periods of Indonesia's development. As a result, many older adults face greater challenges in adapting to an increasingly digital and knowledge-based economy, where educational attainment is closely associated with digital literacy, financial capability, access to formal employment, and participation in pension systems. The educational disadvantages experienced by many older adults are further reflected in the average number of years spent in formal education, which also reveals substantial disparities across socioeconomic groups.

Average Years of Schooling by Characteristics (2025)



Source: BPS, National Socio-Economic Survey (SUSENAS), March 2025

Individuals with lower educational attainment are more likely to have experienced lower lifetime earnings, prolonged employment in the informal sector, limited pension coverage, and lower levels of digital and financial literacy.

**6/10**

Nearly six in ten older adults with primary education or below remain employed, compared with only around one-third of those with tertiary education.

Strengthening lifelong learning, digital inclusion, and financial capability is therefore essential to secure ageing. These patterns also show why the labour market is the critical link between human capital and financial security in old age.

Labour-Market Participation in Later Life

High employment among older adults shows continued economic contribution, but it does not automatically mean financial security. Continued work may reflect financial necessity as well as personal preference, good health or opportunities to remain active. Labor force participation among Indonesia's elderly remains relatively high.



55.32%

of older adults
continuing to work

This reflects the significant economic contribution of older persons while also highlighting the diverse circumstances that shape labour market participation in later life. **Employment in old age may reflect financial necessity, personal preference, better health, or opportunities to remain economically active.** This variety is underscoring the importance of examining the characteristics of elderly employment rather than participation rates alone.

The financial value of later-life employment depends not only on whether older adults work, but also on the type, stability, and intensity of the work available to them. This concentration reflects the persistence of informal employment and limited opportunities to transition into more productive occupations during working life. The characteristics of elderly employment also point to broader structural features of Indonesia's labour market.



84.75%

of working older adults are employed in the informal sector

This limits access to pensions, stable earnings, and other forms of social protection.

Agriculture remains the main source of work, especially among vulnerable groups:



52.22%

of all working older adults
work in agriculture

Agriculture dominates elderly
employment overall



72.63%

of rural working older
adults work in agriculture

The concentration is much
stronger in rural areas



58.27%

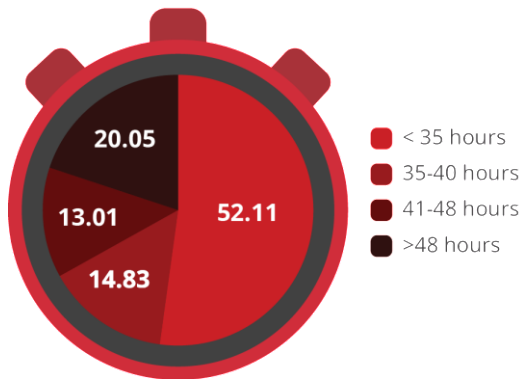
of working older adults
with primary education or
below work in agriculture

Lower education is closely
linked to lower-productivity
work in old age



Informal work may provide day-to-day income, but it often offers limited access to pensions, employment benefits, and social protection. In Indonesia, older workers remain concentrated in sectors and employment arrangements that typically provide limited income security and social protection such as agriculture. This suggests that many older adults remain economically active without adequate retirement protection, especially those living in rural areas and those with lower levels of education.

Percentage of Working Elderly by Weekly Working Hours in 2025 (%)



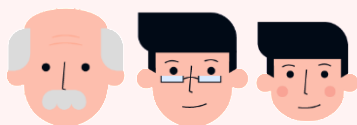
Source: Source: BPS, National Socio-Economic Survey (SUSENAS), March 2025

Working hours reveal two distinct forms of vulnerability. While 52.11% of working older adults work fewer than 35 hours per week, which may reflect flexibility, reduced capacity, or underemployment. At the other end of the spectrum, 20.05% continue to work more than 48 hours suggesting that some remain in demanding employment despite their age. Working hours alone cannot reveal motivation, but when viewed alongside high informality and limited retirement protection, they indicate that continued work may be a necessity for many rather than purely a matter of choice.

This scenario begins well before old age. A 2022 World Bank survey found that only 43% of informal workers had any form of retirement savings or assets, while just 17% contributed to a formal retirement-saving scheme. Among respondents who were not saving for retirement, 84% cited insufficient funds as the main reason. This suggests that weak retirement preparedness reflects limited financial capacity rather than simply an unwillingness to save. Given the high concentration of older workers in informal employment, many may enter later life without adequate savings or pension protection, leaving continued work as one of the few available sources of income.

From a life-course perspective, employment in later life reflects conditions accumulated over decades. When supported by good health, adequate skills, and age-friendly workplaces, it can represent a positive choice rather than financial necessity. Strengthening formal employment, pension coverage, and retirement savings during the working years would therefore improve financial security and support more voluntary and productive participation in old age. The IMF argues that policies should focus on enabling older adults to remain productive if they choose, through investments in health, skills, and supportive working environments, rather than viewing later-life employment solely because of population ageing.¹⁸

Yet financial resilience in old age is shaped not only by individual employment histories and accumulated assets, but also by the support available within the household. In Indonesia, family support remains an important buffer where family members often provide income, care, and daily assistance.



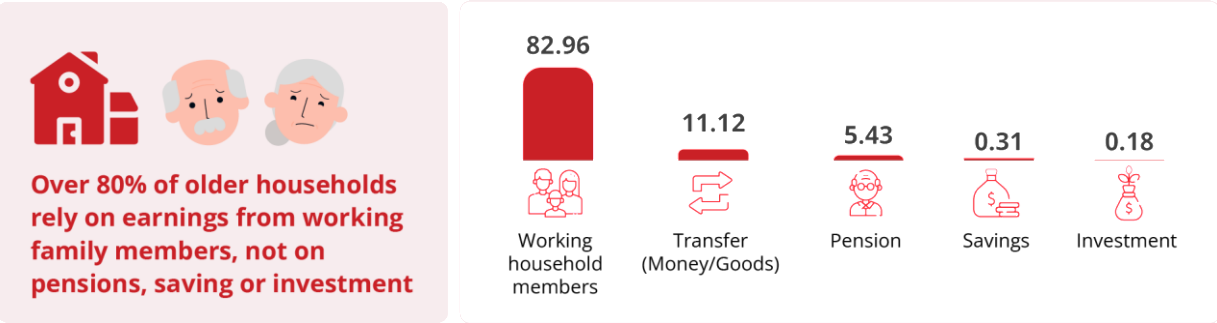
33.44%
of older adults live in three-generation households

This number highlighting the continued role of intergenerational living arrangements in providing income support, care, and day-to-day assistance where formal protection remains limited. Such support can help cushion gaps in pensions, retirement savings, and social assistance, although it cannot fully substitute for adequate formal protection. Financial resilience must therefore be assessed beyond labour-force participation alone, considering older adults' access to pensions, savings, financial services, social assistance, and other sources of income.

Financial resilience of older adults

Financial resilience determines whether older adults can maintain an adequate standard of living after retirement without becoming financially dependent on continued employment or family support. In an ageing society, adequate retirement income, accumulated savings, and access to formal financial services are essential for enabling older adults to cope with healthcare costs, unexpected income shocks, and daily living expenses.

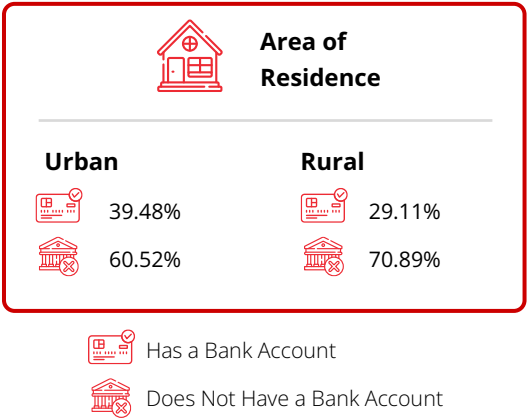
Distribution of Elderly Households by Primary Source of Income



Source: BPS, Statistics of the Elderly Population 2025

Retirement in Indonesia is still financed mainly through continued employment and intergenerational support rather than lifetime asset accumulation. Only 0.31% elderly households depend primarily on savings and 0.18% on investment income. It shows that the retirement system is still largely financed through continued employment and intergenerational family support rather than lifetime asset accumulation. The limited role of pensions, savings, and investment income indicates that many older adults enter retirement without sufficient financial buffers to withstand income shocks or rising healthcare expenditures.

Elderly Ownership of Bank Accounts by Area of Residence 2025 (%)



Source: BPS, Statistics of the Elderly Population 2025

Access to formal financial services remains uneven across Indonesia's elderly population. While 39.48% of urban older adults own a bank account, ownership declines to only 29.11% among those living in rural areas.

More than seven in ten rural older adults remain outside the formal banking system.

Limited financial inclusion constrains older adults' ability to accumulate savings securely, receive pension payments efficiently, access digital financial services, and benefit from government assistance delivered through formal financial channels. As Indonesia continues to digitalize both financial services and social protection delivery, improving financial inclusion among older adults will become increasingly important for strengthening retirement security and reducing financial vulnerability.

Intergenerational Challenge

The financial consequences of population ageing extend beyond older adults themselves. Where pensions, savings, and other retirement assets are limited, financial security in later life often depends on the earning capacity of working household members. This dependence is particularly significant where access to formal financial services remains weak.



Working-age family members frequently assume responsibility for supporting older parents, while simultaneously financing the needs of their own children, creating what is commonly referred to as the "sandwich generation."

Many working-age adults support both children and ageing parents



Supporting older parents



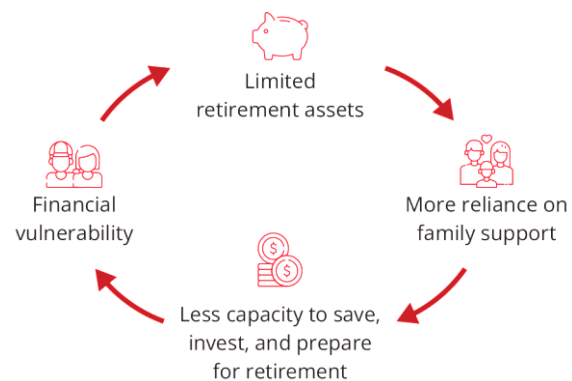
Sandwich generation



Financing children's needs

Although intergenerational support remains an important feature of Indonesian households, longer life expectancy and declining fertility could increase the duration of support while reducing the number of working-age relatives available to provide it.¹⁹

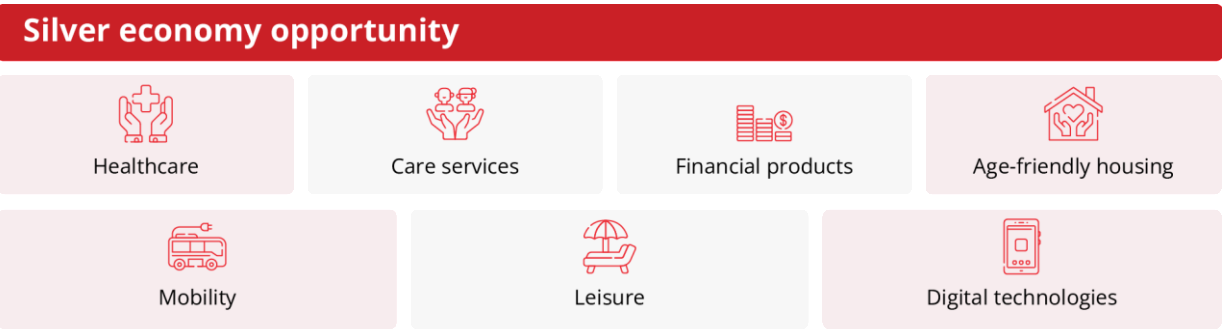
This creates a risk of a self-reinforcing cycle. Households that devote more income to supporting older family members may have less capacity to save, invest in children's education, or prepare for their own retirement. Inadequate retirement protection among today's older adults can therefore weaken the financial preparedness of the next generation, allowing vulnerability to be transmitted across the life course.



Expanding formal employment, pension coverage, retirement savings, financial literacy, and access to financial services is therefore essential not only to protect current workers, but also to prevent financial vulnerability from being passed from one generation to the next.

Turning Longevity into Economic Value

Population ageing can become a source of economic and social value when longer lives are accompanied by better health, financial security, and independence. As older adults become a larger and more diverse group, their evolving needs can create new markets while enabling them to continue contributing as consumers, workers, entrepreneurs, caregivers, and community members.



The opportunities illustrated above respond to different dimensions of later life. Healthcare and care services can increasingly focus on prevention, rehabilitation, and home- and community-based support, while financial products can help households prepare for longer retirements and future care costs. Age-friendly housing, accessible mobility, leisure, and digital technologies can also make everyday life safer, more connected, and more participatory. Businesses for Impact (BFIs) and social enterprises can help translate these emerging needs into accessible, market-based solutions that reach underserved communities, support caregivers, create inclusive livelihoods, and strengthen community resilience.

Realising these opportunities will require investment throughout the life course in health, education and skills, quality employment, income protection, and digital and financial inclusion. With these foundations and stronger collaboration among government, businesses, BFIs, and social enterprises, Indonesia's can improve wellbeing, broaden consumer demand, and create new areas for innovation and investment, turning longevity into an economic and social asset rather than simply a source of dependency.

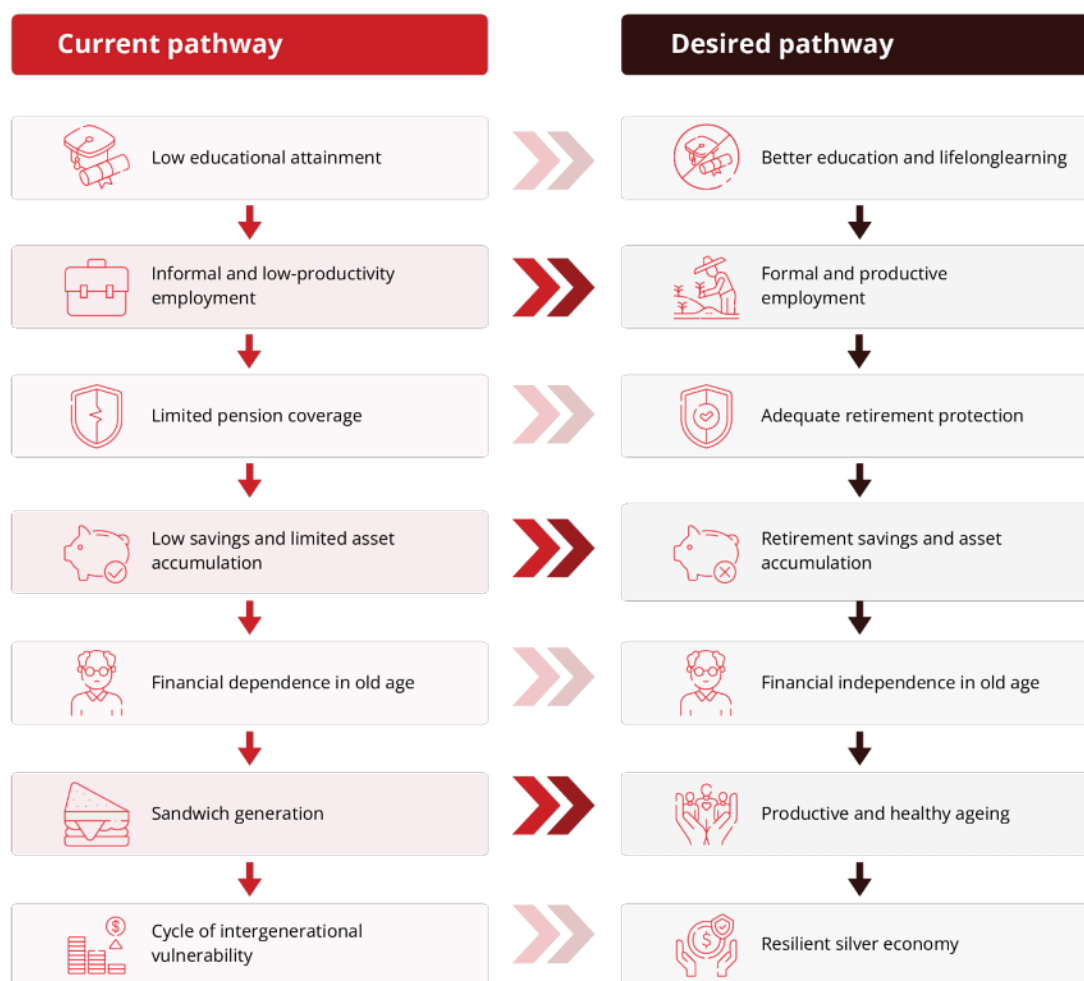
Strategic Pathways to Build Readiness



The findings presented in the previous chapters demonstrate that many Indonesians may enter old age without adequate financial security. Low educational attainment, limited access to formal employment and insufficient retirement savings have accumulated throughout the life course, leaving many older adults dependent on continued employment or financial support from their families. These vulnerabilities are not confined to today's elderly. They increasingly affect the financial capacity of working-age households, many of whom simultaneously support older parents while preparing for their own retirement.

From an Overlapping Generations perspective, these patterns illustrate how financial vulnerability can be transmitted across generations. The figure below summarizes this dynamic. Without adequate investments in education, productive employment, retirement savings, and social protection throughout the life course, Indonesia risks reinforcing a cycle in which financial insecurity in old age places increasing pressure on the working-age population. Conversely, strengthening retirement security can shift this trajectory towards productive ageing and a resilient silver economy.

From Intergenerational Financial Vulnerability to a Resilient Silver Economy



Source: UN World Social Report (2023), Dannefer (2003) ²⁰ and Tenggara Analysis

Strategic Pathways to Build Readiness

The opportunity, however, extends beyond reducing financial vulnerability. Longer lives, healthier ageing, changing family structures, urbanization, and rising incomes can create demand for an expanding range of products and services for older adults. Indonesia's silver economy could encompass healthcare, care services, financial products, age-friendly housing, mobility, leisure, and digital technologies—areas already identified in the preceding analysis.

Realizing this opportunity will require an ecosystem rather than a single policy intervention. The government creates the regulatory and institutional conditions for the market to develop. The private sector translates emerging needs into viable products and services. Businesses for impact and social enterprises extend these solutions to underserved and vulnerable groups while today's working-age generations accumulate the health and financial resources that will allow them to participate in the silver economy as resilient and empowered individuals rather than entering old age primarily as dependents.

Building this ecosystem will also require recognising that Indonesia's demographic transition will not affect everyone equally. Low-income households, informal workers, rural populations, women and caregivers, people with lower educational attainment, and persons with disabilities face different combinations of financial, health, employment and access barriers. Without targeted interventions, these disadvantages can accumulate across the life course and leave some groups disproportionately vulnerable in old age. An inclusive silver economy must therefore go beyond expanding economic opportunities alone – it must build social and financial resilience for those most at risk of being left behind can participate in and benefit from them.

Who Risks Being Left Behind?

Indonesia's demographic transition will not affect all groups equally. The ability to benefit from longer lives depends on resources accumulated throughout the life course, meaning that existing socioeconomic disadvantages can become more pronounced in old age. The groups particularly at risk of being left behind are summarised below.

Group	Why ageing creates greater vulnerability
 Low-income households	Limited capacity to save; health and care expenses can absorb a larger share of income; greater dependence on family or public support
 Informal workers	Irregular earnings, limited pension coverage and weaker employment-based social protection
 Rural populations	More limited access to healthcare, care services, financial services, digital infrastructure and age-friendly services
 Women and caregivers	Longer life expectancy combined with interrupted careers, unpaid care responsibilities and potentially lower lifetime earnings and retirement savings
 Lower-educated populations	Lower lifetime earnings and employability, weaker financial and digital literacy, and greater difficulty adapting to longer working lives
 Persons with disabilities	Ageing can compound existing barriers to employment, mobility, healthcare, digital access and independent living

Government: Building the Enabling Environment

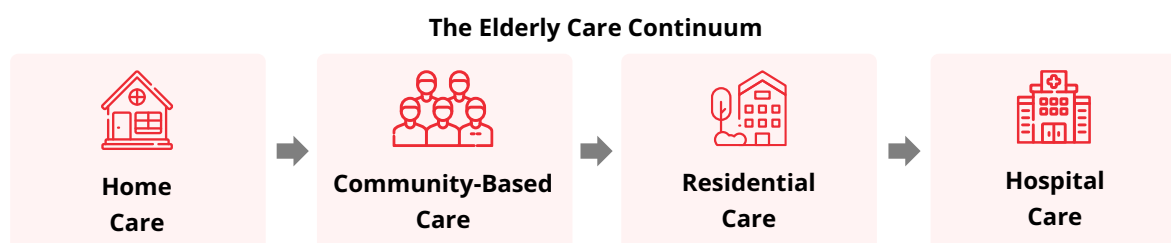
The government's most important role is not necessarily to provide all elderly services itself, but to create the conditions in which a formal, affordable, and trusted silver economy can develop.

This requires moving beyond an elderly-welfare approach toward a life-course framework that connects employment, health, pensions, long-term care, housing, and financial inclusion.

Build a Long-Term Care Ecosystem

Indonesia's long-term care market remains at an early stage. Formal residential care reaches only a small proportion of older adults requiring substantial assistance, while families continue to provide most care. Existing facilities are also not consistently differentiated according to the intensity or type of care they provide.

Rather than treating elderly care primarily as *panti werdha*, Indonesia needs to develop a broader continuum of care. This should encompass home care, community-based care, residential care, and hospital care, allowing older adults to receive different levels of support as their needs change.



Government can facilitate this market by establishing clearer service classifications, licensing and accreditation standards, quality and safety requirements, and mechanisms for monitoring providers.

The existing Indonesian National Work Competency Standards (SKKNI) and caregiver certification provide an initial foundation, but training and certification need to be expanded as demand for professional care grows. The report has already found that Indonesia has national competency standards and certification infrastructure but lacks consolidated information on the size and distribution of its qualified caregiver workforce.

Strengthen Retirement Security

Indonesia's readiness gap is evident not only in the education and labour market but also in how older adults actually sustain themselves financially. The report finds that retirement in Indonesia remains heavily dependent on continued employment and intergenerational support, while savings and investment income play only a very limited role. This has direct implications for the silver economy's long-term sustainability, which ultimately depends on older adults having sufficient income of their own.

Pension reform is therefore not only a social-protection issue; it is also part of the economic foundation of the future silver economy. Expanding pension participation, improving portability, encouraging long-term savings, and developing mechanisms appropriate for informal and self-employed workers would help future retirees accumulate the purchasing power needed to finance healthcare, housing, care, leisure, and other later-life needs.

Indonesia needs a more coherent life-course social-protection architecture that expands retirement coverage beyond formal employment and better connects pension, health, and long-term-care policies.

Build inclusive policy and services

Building readiness also requires public policies and services that strengthen people's capabilities throughout the life course, particularly among groups at greater risk of being left behind. Access to quality education and healthcare, opportunities for productive employment, and inclusive social protection can help people accumulate the health, skills and financial resources they need to remain resilient as they grow older.

Employment is particularly important. With a large share of Indonesia's workforce still in informal employment, inclusive economic growth should create more pathways into formal and productive work while extending protection to those who remain outside the formal sector. Policies should also address barriers faced by women and caregivers, lower-educated workers, persons with disabilities, and people living in rural areas so that demographic change does not reinforce existing socioeconomic inequalities.

Public services should likewise be designed around different needs across the life course rather than treating older people as a separate population. More inclusive education, healthcare, employment and social-protection systems can strengthen resilience well before people reach old age, while helping today's older population maintain independence and participate more fully in society.

Make Infrastructure, Digital Services Age-Friendly

The silver economy cannot develop through healthcare and financial services alone. Older adults need accessible transportation, housing, public spaces, and digital services that allow them to remain socially connected, independent and economically engaged.

Digital inclusion deserves particular attention. Only 34.13% of older adults accessed the internet in 2025, with substantial disparities by income, geography, and gender. As healthcare, banking, government services, commerce, and social interaction become increasingly digital, age-friendly digital design and continued access to assisted or in-person channels will become part of the enabling infrastructure for the silver economy.

Private Sector: Building an Inclusive Silver Economy

Once the enabling environment is established, the ageing population creates opportunities across multiple industries. The opportunity should not be understood narrowly as building more nursing homes. Instead, it spans the entire ageing journey, from independent and active living to increasingly intensive care.

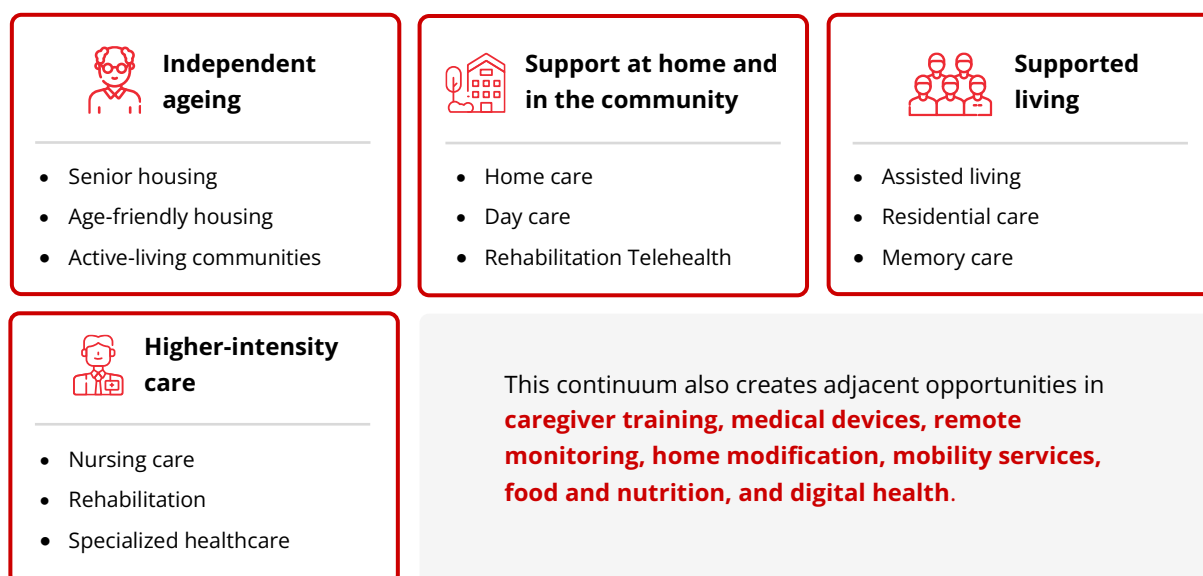
Senior Living, Care an Emerging Industry

One of the clearest **opportunities lies in senior living and long-term care**. Changing family structures, smaller households, urban migration, and greater female labour-force participation are likely to make exclusive reliance on family caregiving increasingly difficult. The report already identifies these pressures on Indonesia's predominantly family-based care model.

This creates room for a much broader market than conventional retirement homes. Private providers could develop senior housing for independent older adults, home-care services, community and day-care centres, assisted living, rehabilitation services, dementia and memory care, and higher-intensity nursing facilities.

Rather than replacing families, these services can complement family care, allowing older people to remain at home or within their communities for as long as possible while providing professional support when their needs become more complex.

The Emerging Senior Living & Care Opportunity



Financial Services for Longer Lives

Financial institutions also have an important role to play. Longer lifespans increase the need for products that help individuals accumulate and manage assets over longer retirement periods.

Banks, insurers, pension providers, and asset managers can develop retirement savings, annuity and income products, health and long-term-care insurance, investment solutions, and financial-advisory services tailored to different stages of the life course. This opportunity is particularly important because the report finds a substantial gap between Indonesia's high overall financial inclusion and much weaker pension participation. The market therefore extends beyond products designed specifically for today's elderly. Financial institutions can begin serving the future silver generation decades before retirement.

Healthy, Productive Ageing Creates Markets Beyond Care

A thriving silver economy should not assume that older adults are predominantly frail or dependent. The report shows that 63.72% of Indonesia's older population is currently aged 60–69, while international evidence suggests that improvements in physical and cognitive health can enable people to remain socially and economically active for longer.

A broader market can develop around products and services that help people remain healthy, active, connected and economically engaged throughout longer lives. These include sports and recreational facilities, wellness and preventive-health services, nutritious food products, age-friendly digital applications, lifelong-learning programmes, and mobility and leisure services. Financial institutions can also develop more accessible investment and insurance products for middle- and lower-income consumers, while training providers can offer business, entrepreneurship and financial-planning programmes for people approaching retirement. Senior activity hubs can combine recreation, learning, social interaction and preventive-health activities in accessible community settings.

These opportunities are relevant not only to large companies. MSMEs can play an important role in developing locally accessible products and services, particularly in areas such as food and nutrition, wellness, recreation, training, community services and age-friendly consumer products. Digital platforms can further expand their reach and make services available beyond major urban centres.

Strategic Pathways to Build Readiness

This opens opportunities beyond healthcare and care services. Businesses can develop products and services in **travel and leisure, wellness and preventive health, education and lifelong learning, financial services, age-friendly consumer products, mobility, digital platforms, and flexible employment.**

Employers can also participate in the silver economy by creating age-inclusive workplaces, flexible employment arrangements, reskilling programs, mentoring roles, and opportunities for older professionals to remain economically active. Productive ageing should therefore be viewed not simply as extending retirement age, but as widening the choices available to people as they live longer.

Business for Impact: Bridging Inclusion Gaps

An inclusive and resilience society cannot depend entirely on conventional commercial models. Many older Indonesians have limited income and retirement savings, while a large share of today's working-age population remains in informal employment.

As Indonesia's population ages, new and often overlapping needs will continue to emerge across healthcare, caregiving, financial security, lifelong learning, and social inclusion – needs that may not immediately translate into commercially attractive demand.

Businesses for impact (BFIs) and social enterprises (SEs) can help bridge this gap by developing affordable and scalable solutions for people who may be underserved by both conventional markets and public services. Opportunities include home- and community-based care, preventive healthcare and digital health, financial and retirement-planning services for informal workers, digital literacy, age-friendly mobility, lifelong learning, and employment or entrepreneurship opportunities for older adults.

Across Asia, DBS Foundation's Impact Beyond Award illustrates the range of solution BFIs and SEs can bring to ageing societies. Winners include Buddy of Parents (Singapore), which uses IoT- and AI-enabled smart-home technology to help seniors age safely and independently at home. Another story is Huakang Health Industry Group (China), which connects home-, community-, and institution-based elderly and dementia care. Evercare Health Limited (Hong Kong), which uses an AI-powered platform matching to connect trained caregivers with families; and Life Circle Health Services (India), which trains and places professional caregivers while creating livelihoods for women and other underprivileged groups. In Indonesia, social enterprises such as SukkhaCitta, a DBS Foundation grantee that trains rural artisans and expands their market access, illustrate how similar livelihood- and skills-based models can be adapted to support ageing-related services and economic participation among Indonesia's vulnerable communities.

The objective should not be to create a separate "social" silver economy alongside a commercial one. Rather, BFIs and SEs can broaden the silver economy itself, extending products and services to underserved groups while demonstrating commercially sustainable models that can eventually attract larger businesses and investors. In this way, they can help ensure that Indonesia's emerging silver economy is not only a source of growth, but also more inclusive and resilient.

Philanthropy as a Catalyst

Philanthropic organisations can play a catalytic role in areas where social needs are significant but commercially viable solutions are still emerging. Grants, patient capital and technical assistance can support BFs and SEs in testing new models, building organisational capacity and reaching vulnerable groups that may be costly or difficult to serve. Philanthropy can also support initiatives such as caregiver training, financial and digital literacy, community-based ageing programmes, and research to identify effective interventions.

More importantly, philanthropy can help successful solutions move towards scale by bringing together government, businesses, financial institutions and social enterprises. Through blended finance and other partnerships, philanthropic capital can absorb some early-stage risks and help mobilise larger pools of commercial investment. Its longer-term role should therefore be catalytic: helping inclusive solutions demonstrate their effectiveness and financial sustainability so that they can eventually be scaled through markets or incorporated into public systems.

DBS Foundation's partnerships in Indonesia also illustrate how philanthropic support can build resilience earlier in the life course. Partnerships with UNICEF Indonesia and Dicoding Indonesia show how this approach translates into action: the collaboration with UNICEF Indonesia supports children's nutrition and education as early foundations for long-term resilience, while Dicoding Indonesia equips youth and young professionals with digital and future-ready skills that strengthen employability and financial inclusion later in life. Examples such as these demonstrate how philanthropic partnerships can build resilience well before individuals reach old age, complementing interventions that address the needs of today's older population.

Current Generations: Building Future Readiness

Building future readiness is central to the Overlapping Generations perspective. Indonesia's preparedness for demographic change will depend significantly on the choices and investments made by today's working-age population.

Today's workers will become tomorrow's older population. Their health, employment, savings, pension participation, financial literacy and digital capabilities will determine whether longer lives are accompanied by financial security and continued economic participation, or by greater dependence on families and the state.

Readiness therefore needs to be built throughout the productive years. Healthy lifestyles, continuous skills development, stronger financial literacy and planning, and retirement preparation that begins early can help individuals accumulate the health, human and financial capital they will need in later life.

Strengthen Retirement Security for Informal Workers

Indonesia cannot build retirement security around formal employment alone when more than half of its workforce remains informal. Workers increasingly move between formal jobs, informal employment, self-employment and platform work, making regular pension contributions difficult. Workers therefore need flexible and portable retirement savings, insurance and pension arrangements that can follow them across different forms of employment and accommodate irregular incomes.

Retirement preparation should also begin as early as possible rather than becoming a priority only as people approach retirement. Stronger financial literacy and planning can help working-age Indonesians understand their future financial needs, build regular saving and investment habits, and make greater use of available pension and insurance products. Retirement preparedness should become part of working life regardless of employment status, rather than a benefit associated primarily with formal jobs.

Break the Sandwich-Generation Cycle

Today's working-age Indonesians increasingly face the dual responsibility of supporting ageing parents while raising children and preparing for their own retirement. When older parents lack adequate pensions or savings, family support fills the gap, potentially reducing the next generation's capacity to accumulate retirement assets.

From an Overlapping Generations perspective, Indonesia must prevent a cycle **of inadequate retirement security of elderly → greater dependence on children → lower savings by working-age households → financially insecure future elderly**. Early financial planning, regular retirement saving and stronger participation in pension schemes can help working-age households build financial resilience before retirement needs become urgent. Strengthening retirement preparedness today is therefore also a way of reducing financial pressure on future generations. Breaking this cycle also strengthens social resilience, preserving families' capacity to support one another rather than being stretched thin across generations.

Shift from Family to Shared Care

Family support will remain central to elderly care in Indonesia, but smaller families, urbanisation, migration and greater female labour-force participation will make exclusive reliance on unpaid family caregiving increasingly difficult. Today's generation should prepare earlier for how care will be provided and financed as parents—and eventually they themselves—grow older. The future is likely to involve **shared care**, in which families remain central but are increasingly supported by professional home care, community services, healthcare providers and technology-enabled solutions. This shift toward shared care is itself a form of social resilience-building, distributing the responsibility of care across families, communities, and services so that no single actor bears it alone.

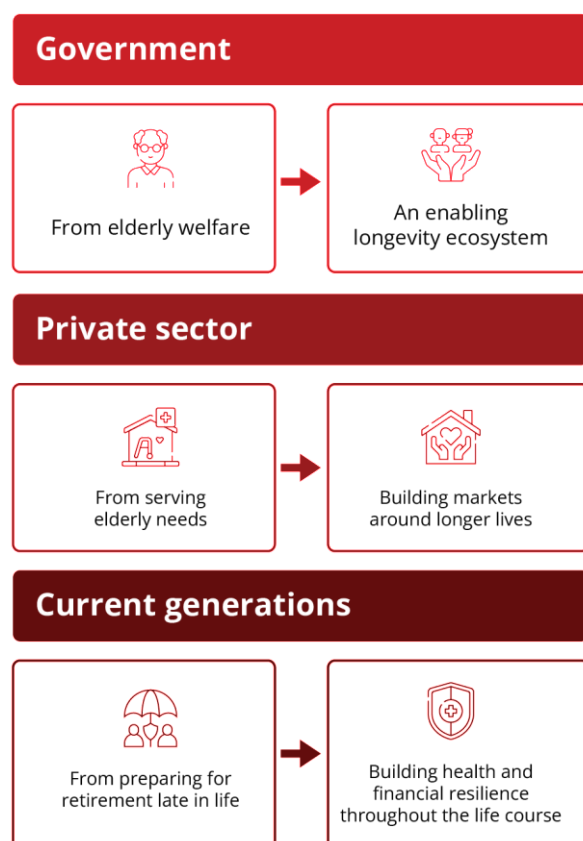
Enable Longer Productive Lives

Longer working lives require more than raising the retirement age. They depend on whether people remain both healthy and employable. Chronic-disease risks already accumulate during Indonesia's productive years, making healthy lifestyles—including physical activity, good nutrition and preventive healthcare—an essential investment in future readiness.

At the same time, technological and economic change can make existing skills obsolete well before retirement. Continuous skills development, lifelong learning, digital literacy and reskilling should therefore begin during the productive years rather than only when workers face displacement or approach retirement. This is particularly important for lower-educated and manual workers, who may need opportunities to transition from physically demanding occupations into less intensive work, self-employment, mentoring or flexible employment as they age.

Turning the Demographic Dividend into Longevity

Indonesia's ageing challenge is not only a challenge for the future. **The foundations of Indonesia's ageing society are being built today.** The health, skills, employment opportunities and financial resilience of today's working-age population will determine whether they enter later life as economically secure and active participants or become increasingly dependent on their families and the state.



Indonesia therefore has an important window of opportunity while its demographic dividend remains. Investments made today in productive employment, health, skills, retirement preparedness and stronger social protection can generate a **double dividend**: they can strengthen economic growth and household resilience now while reducing vulnerability as today's workers become tomorrow's older population. Failure to make these investments risks carrying today's inequalities—including informality, inadequate retirement savings and unequal access to healthcare—into old age.

The same principle applies across generations. Strengthening the security of today's elderly can reduce pressure on the sandwich generation, while enabling today's workers to accumulate sufficient financial, health and human capital can prevent the same vulnerabilities from being transmitted to the next generation. **Indonesia's demographic dividend and its ageing transition should therefore not be treated as separate policy agendas, but as two stages of the same demographic transformation.**

The opportunity is to use the remaining demographic-dividend window to prepare for longer lives while simultaneously developing the markets, services and institutions that an ageing society will require.

If Indonesia invests in its people while they are still young and productive, today's demographic dividend can become the foundation for tomorrow's longevity dividend.

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Endnote



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