Social and Demographic Issues in Indonesia

Mervyn Piesse
Research Analyst
Indian Ocean Research Programme

Key Points

- The majority of the Indonesian population will continue to live in the west of the country. This region will continue to experience slower population growth than the more sparsely populated east.
- As the fertility rate remains above replacement level, the population will likely continue to increase. Implementing a new national planning programme could assist in bringing the fertility rate down closer to replacement level.
- The economic growth rate must increase in order to ensure job creation and maintain low rates of unemployment.
- Issues relating to access to health and education as well as rising inequality are the most pressing social challenges the Indonesian government will need to confront.

Summary

This paper outlines some of the demographic changes that have occurred in Indonesia since independence and examines the effects they could have in future decades. It outlines changes to the Indonesian population by region, ethnicity and religion before analysing issues that could arise due to ageing, fertility, health, education, employment, the distribution of wealth, urbanisation, social cohesion and the country’s links with Australia. Ethnicity and religion are sensitive topics in Indonesia and many individuals prefer not to disclose or discuss these markers of their identity. Population data relating to these factors is
scarce; the statistics agency, Badan Pusat Statistik (BPS), only included such data in the 2000 population census. Commenting on population change using these metrics is therefore challenging. This paper will draw upon data from this census and the one held in 2010 to determine potential changes to the population over the coming decades.

Analysis

Population Changes and Projections by Region

Close to 80 per cent of the Indonesian population lives in the west of the country, on the islands of Java and Sumatra, but that segment of the population is growing at a slower pace than the rest of the country. The Maluku islands have the smallest populations. According to the 2010 census, roughly 2.6 million people live in that region. The two provinces in the region of West Papua, to the east of the Malukus, have the next smallest populations. According to the 2010 census, roughly 3.6 million people lived in them. In the decade up to 2010, the two provinces experienced the fastest population growth in Indonesia. Over this time the population increased by 64 per cent due to increasing migration and a higher than average birth rate.

In the west of the country, outward migration and low birth rates contributed to a slower rate of population growth. For instance, between 2000 and 2010, the population of West Java increased by 20 per cent, Yogyakarta 12 per cent, East Java seven per cent and Central Java three per cent.

These trends are likely to continue for the foreseeable future. The western regions are likely to continue to experience slow and perhaps even negative population growth while those in the east experience the fastest rates.

Population Changes and Projections by Ethnicity

Indonesia has hundreds of ethnic groups; just over 40 per cent of the population is Javanese. The next largest ethnic group, the Sundanese, comprise 15 per cent. Malays are the third-largest ethnic group, representing four per cent. The next largest ethnic groups, in order of size, are Batak, Madurese, Betawi, Minangkabau, Buginese, Bantenese, Banjarasce, Balinese, Acehnese, Dayak, Sasak and Chinese. Other ethnicities make up the remaining 15 per cent of the population, but individually represent less than one per cent of the total.

Making demographic projections based upon ethnicity has been complicated by the lack of data on fertility and mortality by ethnicity. There has not been any information on ethnicity since the 1930 population census, however, the most recent census, conducted in 2010, includes some data relating to ethnicity.

The Javanese population is generally older than the rest of the country. In the 2000 census, 5.29 per cent of the Javanese population was considered elderly (above the age of 65). The Sundanese population was similarly aged and comprised 4.98 per cent, followed by the Madurese with 4.82 per cent.
Population Changes and Projections by Religion

It is estimated that 212 million Indonesians identify as Muslim, making it the largest Muslim-majority country. Roughly 87 per cent of the population practices a form of Islam, with the Sunni branch dominating. Close to ten per cent of the population identifies as Christian, while just below two per cent is Hindu. The state officially recognises six religions: Islam, Protestantism, Catholicism, Hinduism, Buddhism and Confucianism. All Indonesian citizens are required to identify, at least nominally, as belonging to one of these six religions.

For the foreseeable future, most of the population will continue to identify as Muslim. The percentage of Christians living in the country is expected to increase by 2050, though, as followers of this religion have a higher fertility rate compared to the Muslim majority. The share of the country’s population that identifies as Muslim is not expected to change significantly, however, as roughly 86 per cent of the population is still expected to identify as Muslim.

Over the same time period, India and Pakistan respectively are likely to replace Indonesia as the world’s largest and second-largest Muslim-majority states. Such a development could heighten the perception held by some that Indonesia is losing its identity as an Islamic country and that other religions are becoming a threat to the character of the nation. On the other hand, the Christian population has been growing at a faster rate for some time. Between 1971 and 2000, for instance, the Christian population increased by 2.48 per cent per annum, compared to the Muslim population’s 1.86 per cent.

<table>
<thead>
<tr>
<th>10 Countries With the Largest Muslim Populations, 2010 and 2050</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2010 MUSLIM POPULATION</strong></td>
</tr>
<tr>
<td>1 Indonesia</td>
</tr>
<tr>
<td>2 India</td>
</tr>
<tr>
<td>3 Pakistan</td>
</tr>
<tr>
<td>4 Bangladesh</td>
</tr>
<tr>
<td>5 Nigeria</td>
</tr>
<tr>
<td>6 Egypt</td>
</tr>
<tr>
<td>7 Iran</td>
</tr>
<tr>
<td>8 Turkey</td>
</tr>
<tr>
<td>9 Algeria</td>
</tr>
<tr>
<td>10 Morocco</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
</tr>
<tr>
<td><strong>Subtotal for Rest of World</strong></td>
</tr>
<tr>
<td><strong>World Total</strong></td>
</tr>
</tbody>
</table>

Source: The Future of World Religions: Population Growth Projections, 2010-2050. Population estimates are rounded to the nearest 10,000. Percentages are calculated from unrounded numbers.

PEW RESEARCH CENTER
Ageing

Improvements in economic and social development have resulted in increased life expectancy. In 1970, the average life expectancy was 45 years; by 2010 it had increased to 70.1. Over the same period, the birth rate significantly declined, resulting in an ageing population. According to the 2010 census, 7.6 per cent of the population was over 60 years of age. Estimates suggest that, by 2020, roughly 12 per cent of the population will be older than 60. Based on current estimates, that figure is projected to rise to 25 per cent by 2050.

Between 2020 and 2030 the productive population, defined as people between the ages of 15 and 64, is expected to peak. As a result, the dependency ratio, those in the productive labour force compared to those outside it, will be at its lowest level. As long as unemployment levels remain manageable, Indonesia will benefit from this demographic dividend as economic productivity is likely to rise. On the other hand, if jobs are not created for the bulging youth population, the country could experience great difficulty in improving or maintaining levels of equity amongst its population.

It will be decades before Indonesia begins to experience the ill-effects of an ageing population. Even in 2050, a large portion of the population will still be of working age. After 2050, however, it will probably need to focus its attention on ensuring that increased pressure on the healthcare sector, which accompanies a rise in the aged population, is dealt with.

Fertility

Traditionally, Indonesian society has viewed children as the source of rejeki (fortune). A local saying, banyak anak banyak rejeki, maintained that more children equated to more fortune and it was widely believed that the use of contraceptives contravened religious and moral values. This contributed to a very high fertility rate.

Recognising that high fertility was a major factor in creating widespread poverty, the New Order regime began to implement policies designed to reduce and limit the country’s birth
rate in 1968. In the decades that followed, the effects of these policies were lauded internationally and Indonesia was held as a model for developing countries facing similar demographic pressures. As a result of the national planning initiatives, the fertility rate was halved from 5.6 children per woman in 1976 to 2.6 children per woman in 2002.

The national planning regulations were challenged after the 1991 International Conference on Population and Development, which took into consideration women’s reproductive rights. As a result, family planning regulations began to be loosened. The centralised family planning regime was dismantled when Suharto was removed from power and a process of political decentralisation began after his removal in 1998.

In the wake of the 2012 London Summit on Family Planning, Indonesia planned to launch a new national family planning programme. It aims to strengthen the decentralised programme that currently exists in order to clarify its roles and responsibilities. In a sign of its commitment to the programme, government funding increased from US$65.9 million in 2006 to US$263.7 million in 2014. As of 2015, the birth rate is estimated at 2.15 children per woman, slightly higher than the 2.1 children per woman, which is commonly accepted as replacement rate. By 2025, the government aims to reduce the rate to replacement level.

![Fertility rate graph](image)

**Health**

Rural and remote areas have more limited access to healthcare than urban areas. Studies suggest that, as of 2014, 40 per cent of Indonesians do not have access to proper sanitation facilities. Improving access to sanitation facilities and improving education in regard to safe hygiene practices will be vital to achieving better basic health outcomes.

Maternal mortality has also increased in recent years. In 2007, there were 288 deaths per 100,000 births. By 2014, this had increased to 359 deaths per 100,000.

Setting up a universal healthcare system has been a long term goal for Indonesia. In January 2014, the government launched the National Health Insurance scheme (Jaminan Kesehatan Nasional, or JKN), which aims to make basic care available to all Indonesians by 2019. Those
in formal employment pay an annual premium equal to five per cent of their salary; four per cent is paid by their employer while the remaining one per cent comes out of their salaries. Informal workers, the self-employed and investors pay fixed monthly premiums that vary in price depending upon the level of cover they wish to receive.

President Jokowi has sought to improve access to healthcare within Indonesia. As Governor of Jakarta, he implemented the Jakarta Health Card (KJS). A nationwide programme was implemented in November 2014 and offers similar benefits to that operating in Jakarta. The Indonesia Health Card (Kartu Indonesia Sehat or KIS) offers free health insurance to the poor at a monthly premium of 19,225 rupiah ($1.90) per person. It is set to be distributed to 88.1 million Indonesians who live below the food poverty line, which has been defined at 2,100 kilocalories per day.

Both, the JKN and the KIS if successfully deployed, are likely to contribute to better health outcomes in Indonesia. More needs to be done to educate the population on the importance of basic healthcare and sanitation. If the government can address this issue, health outcomes can only improve.

**Education**

The Indonesian education system lags behind those of other regional states. Unsurprisingly, it trails behind wealthy Singapore, but it also lags behind Vietnam, a country with a per capita GDP two-fifths lower than that of Indonesia. Tellingly, at the end of their school careers, only 25 per cent of Indonesia students meet minimum standards in literacy and numeracy.

Perhaps some of this underperformance is due to the bureaucratic complexity of the Indonesian education system. Three separate government ministries are responsible for various parts of the system; the education ministry oversees state primary, junior and secondary schools; the religious affairs ministry is responsible for madrassas (Islamic schools) and the ministry for research and technology is in charge of universities and polytechnics.

Corruption also remains a major impediment to the proper functioning of the education system. According to Indonesian Corruption Watch, there are very few schools that are free of graft, bribery or embezzlement. It claims that in some schools up to 40 per cent of the budget is lost to corruption.

According to a recent report from the International Labour Organisation, there is evidence to suggest that there are not enough Indonesians with a tertiary education to meet demand. At the same time, it suggests that there is an abundance of labour with junior high school or senior high school qualifications as their highest level of educational attainment. Such evidence suggests there might be barriers to higher educational attainment that are difficult for large portions of the population to overcome.

In an attempt to improve education standards, President Jokowi launched the Indonesia Smart Card (Kartu Indonesia Pintar, or KIP) in November 2014. The card provides school fees and stipends for 12 years of education to 24 million poor students. The programme also
provides free tertiary education to disadvantaged students who pass university entrance examinations. His government has also committed to spend 20 per cent of the budget to improve the education sector, but whether this will overcome the high levels of corruption within the sector and actually make a difference remains to be seen.

**Employment**

Currently, close to two million Indonesians enter the labour force for the first time each year. It is estimated that, for each one per cent increase in gross domestic product, an additional 200,000 to 300,000 new jobs are created. Based on this assumption, the economy will need to grow by an average of around seven per cent to ensure that there are enough jobs for new entrants to the labour force.

Unemployment has been on a downward trend in recent years. As late as 2006, more than ten per cent of the population was unemployed; by 2014, that figure had fallen to 5.7 per cent. This decline was accompanied by relatively robust economic growth as Indonesia underwent a robust commodities boom. As the economy has experienced slower growth during 2015, it could begin to face greater pressure to maintain low rates of unemployment. Youth unemployment remains a concern, with 18.3 per cent of the population aged between 15 and 24 years unemployed in February 2015.

Ensuring that there are enough jobs created during a period of economic uncertainty could prove difficult for Indonesia.

**Distribution of wealth**

As of 2012, 74 million Indonesians were identified as middle-class and affluent consumers by the Boston Consulting Group. These consumers represented close to 30 per cent of the total population. At the time, between eight and nine million people joined this segment of the economy annually. It was predicted that, by 2020, close to 53 per cent of Indonesians would be in the middle-class or above.

While the middle-class population has continued to grow, the extent of wealth inequality in the country has also increased. Measures of wealth inequality suggest that between 2003 and 2013, the level of economic inequality increased by 60 per cent, the fastest rate of any developing country in the world. Methods of measuring wealth-, instead of income-, inequality are relatively new, and most researchers see wealth as less evenly distributed than income.

More standard measures of inequality, such as the Gini coefficient - which measures income inequality by measuring household expenditure - suggest that over the same decade, inequality in Indonesia rose by about 30 per cent. The Gini coefficient measures the distribution of income along a scale from zero, representing perfect equality, to one, where all income goes to a single household. Currently, the Indonesian Gini coefficient is at a record high of 0.41. In 2004, it was measured at 0.31, the lowest level ever recorded in the country.
Increasing income inequality is not a phenomenon limited to Indonesia. Countries throughout South-East Asia and the wider world have experienced rising income inequality for some time. Nonetheless, tackling the issue will be vital for the country’s future development.

President Jokowi has stated that a dangerous level of inequality exists within his country and has promised to rectify the issue. He believes the best way of improving the situation is to increase tax receipts received by the government. Upon taking office in 2014, tax receipts were equal to 12 per cent of national economy. Jokowi has promised to increase them to 16 per cent by the end of his five year term. Increasing the level of tax collection could assist with wealth distribution in the country thereby reducing the high levels of wealth inequality.

**Urbanisation**

Increasing urbanisation can occur in three distinct ways, migration from rural to urban areas, natural increase in urban areas outpacing rural areas, or rural areas becoming designated as urban. Indonesia has been undergoing an urban transition for some time, but it was not until after the 2010 census that it became clear that a majority of the population, 54 per cent, lives in urban areas.

*Projections by BPS* suggest that 66.6 per cent of the population will live in urban areas by 2035. The most heavily urbanised parts of the country will continue to be found in the western islands of Sumatra and, especially, Java.

Increasing urbanisation is likely to put increased pressure on food and water security. Food production could decline as agricultural workers move to urban areas; such an outcome would place the President’s food self-sufficiency plans in jeopardy.

**Cross Border Perceptions**

According to Australia’s Department of Foreign Affairs and Trade, two-way trade between the two neighbours reached $14.9 billion in 2013. There is still considerable scope for the trade relationship to expand, however, as the relationship was only Australia’s eleventh-largest in 2014. Further developing the trade relationship could improve state-to-state relations; however, it is likely to do little to change perceptions among average citizens.

Media coverage of the Indonesia-Australia relationship suggests that it is continually under strain from a seemingly never ending series of crises. Such reportage disguises the potential for the creation of a more robust relationship that exists beyond the rocky diplomatic relationship.

For such a relationship to emerge, however, there needs to be a better understanding of each other. Cultural understanding and knowledge of each other remains poor among average citizens in both Australia and Indonesia. Many Australians see their northern neighbour as an authoritarian state with rising religious extremism while many Indonesians view Australia as a malevolent neighbour only too keen to lend support to separatist elements within their own society. Building robust people-to-people linkages between the two countries will go some way towards challenging these perceptions.
Social Cohesion

Religious intolerance is an issue of increasing importance in the country, as recent reports suggest that it could be rising. If it does, the country could be at increased risk of losing its reputation as a tolerant and pluralistic society. Reports of rising intolerance have clearly begun to worry President Jokowi as he has openly declared that the country is at risk of losing its tolerant nature.

By 2050, Indonesia is projected to become the third-largest Muslim-majority country, behind India and Pakistan. The number of Muslims living in the country is expected to increase over this time, albeit at a slower rate than other religions, such as Christianity. These communities will still remain a clear minority of the population although their increasing presence in the country could fuel tensions between some members of religious communities.

Between 1997 and 2004, Indonesia went through a period of violence that appeared to be religiously and ethnically motivated. In many cases these tensions were influenced not only by religion and ethnicity but by broader struggles for political, economic and social power directly before and after the ousting of Suharto and during the turmoil of the Asian Financial Crisis. While the incidence of such violence has decreased in recent years, there continue to be cases of radical Muslims attacking Christian churches, particularly in Muslim-majority Java. There is a perception among some hard-line Islamic groups that the country has undergone a process of “Christianisation” since independence.

At the same time, Christian mobs have been known to attack Muslims in Christian-majority areas, such as in West Papua. These events, while possibly increasing in number in recent years, are still condoned by only a small percentage of the Indonesian population. The country’s social cohesion appears robust for the time being.

Conclusion

The changing demographics of Indonesia have the potential to contribute to a variety of social issues. Some of these, such as an ageing population, will not be experienced until after 2050. Others social issues relating to education, employment, the distribution of wealth and urbanisation, will likely be made manifest in the near-term. The current administration will need to ensure that it has the correct policy settings to address them.

Notes


Any opinions or views expressed in this paper are those of the individual author, unless stated to be those of Future Directions International.

Published by Future Directions International Pty Ltd.
80 Birdwood Parade, Dalkeith WA 6009, Australia.
Tel: +61 8 9389 9831 Fax: +61 8 9389 8803
E-mail: lhughes@futuredirections.org.au Web: www.futuredirections.org.au