Aging Demographic and Business: Long-term Care and Sustainable Financing of Social Security in Indonesia

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Abstract

This study examines the challenges related to the sustainable financing and long-term care of social security for Indonesia's aging population and businesses. The research objectives include identifying challenges, analyzing current policies and practices, and proposing recommendations to improve long-term care and social security financing. A qualitative methodology was used, involving data collection from government policies, literature reviews, expert input, businesses, and individuals. Thematic analysis techniques were employed to analyze the collected data, including secondary quantitative data from the national survey (2022) by BPS Statistics Indonesia. The findings reveal that current policies and practices are insufficient for addressing the challenges faced by the elderly population, with inadequate funding, limited access to quality care, and a lack of public awareness being among the primary concerns. The study proposes several recommendations, such as establishing a long-term care insurance scheme, developing public–private partnerships, improving the quality of care, expanding social security coverage, and increasing public awareness. Collaboration between stakeholders and political will is necessary for sustainable and adequate long-term care. The results of this study highlight the need for investment in nursing homes and long-term care facilities.

Keywords: Aging demographic, long-term care, social security, sustainable financing, Indonesia

JEL code: • **H55** (Social Security and Public Pensions), • **I18** (Health: Government Policy; Regulation; Public Health), • **H75**: State and Local Government: Health, Education, and Welfare; • **I38**: Welfare, Well-Being, and Poverty: Government Programs; Provision and

Effects of Welfare Programs; • **J14**: Economics of the Elderly; Economics of the Handicapped; Nonlabor Market Discrimination

1. Introduction

Indonesia's social security system is fragmented and inadequate, with many elderly individuals relying on informal family care. However, the increasing number of nuclear families, migration, and changing social norms have made informal care less available, leading to a greater demand for formal long-term care services. Despite this, the availability of formal long-term care services in Indonesia remains limited, with only 43 nursing homes and 6,000 home care providers serving a population of over 22 million elderly individuals (BPS Statistics Indonesia, 2020). Furthermore, the cost of long-term care is high and often unaffordable for many elderly individuals, leading to financial hardship and inadequate care.

The aging workforce in Indonesia is associated with a decrease in labor productivity according to Haryanto et al. (2018). The study suggests that businesses should implement measures such as job redesign and training programs to help older workers maintain their productivity levels. Another study by Kurniawan et al. (2020) revealed that the increasing demand for healthcare services due to the aging population in Indonesia can lead to significant cost increases for businesses.

A study by Dharmawan et al. (2016) reported that Indonesia's elderly population will reach 40 million by 2050, posing a significant challenge for long-term care. Social security financing for the elderly is also lacking, with only a small portion covered by government insurance programs. Most elderly individuals rely on family support, and nursing homes and care facilities are uncommon (Nurhayati and Rahmawati, 2017). Fauziah et al. (2018) noted that the demand for long-term care in Indonesia will increase due to an aging population and changing family structures.

Indonesia has made efforts to improve its social security system with the introduction of the National Social Security System (SJSN) in 2014. However, challenges remain in terms of funding and access to long-term care services. Wahyuningsih et al. (2015) recommend the establishment of a national long-term care insurance program funded by government subsidies and contributions from individuals and businesses. Nugroho et al. (2019) suggested promoting the use of technology in healthcare services.

Referring to the facts stated above, conducting a study on sustainable financing for the health scheme of the aging demographic and businesses is crucial and in demand during the current crisis. Moreover, the previous year's pandemic crisis highlighted the importance of public health services being fairly accessible to all, but in reality, they have been left behind for the elderly and impoverished populations. However, studies focusing on exploring the challenges faced by Indonesia's social security system in providing sustainable financing for long-term care for the aging population and providing policy recommendations for addressing these challenges are rare. Therefore, it is pivotal to study this topic accordingly.

Research questions:

To formulate the problem solution and research gap explored in the introduction, the main research questions have been designed. This paper addresses the following research questions:

1. What are the challenges facing Indonesia's social security system in providing sustainable financing for long-term care for the aging population?

2. What are the potential policy options for addressing these challenges?

2. Research Method

This research applies a qualitative approach, drawing on secondary sources such as the academic literature, regulations, and government reports. The analysis also involves analyzing government policies and exploring expert opinions, business actors' opinions and individuals' opinions. The secondary quantitative data support the evidence base obtained from BPS Statistics Indonesia via the National Survey (Susenas 2022) and Census result (2020) and are derived from the Health Ministry. All the data collected will be gathered and analyzed via a thematic approach, with a focus on key themes related to the challenges facing Indonesia's social security system and potential policy options.

These Susenas data are thus far the main data source used to define the model of social security programs in Indonesia through estimation on the basis of implemented cases, which is linked to the limited amount of the state budget. The data collection methodology refers to the National Socioeconomic Survey (Susenas 2022) conducted by BPS Statistics Indonesia in March 2022. In March 2022, Susenas had a sample size of 345,000 households, spread across 34 provinces and 514 districts/cities throughout Indonesia, which were divided into census blocks. For each selected census block, a sample of 10 households was chosen, resulting in a total of 34,500 census block samples for the March 2022 Susenas. The 2020 census block was used as the 1st sample frame, which is a list of census blocks selected as the master sampling frame. The 2nd sample frame consists of household populations, and the selection of a number of household samples is carried out by probability proportional to size (PPS) based on the census block and households. The Susenas is an annual National Socioeconomic Survey conducted by BPS Statistics Indonesia, with a sample size of over 345,000 households, to provide estimations up to the city/regency level for publication, and this representation connects directly to local program development and policy actions.

3. Results and Analysis

4.1. Current Aging Situation in Indonesia

Indonesia, a populous nation with approximately 273 million people in 2021, is experiencing a rapidly increasing number of elderly people. By 2050, 107 million Indonesians, or 34.7% of

the population, are expected to be aged 60 years or older. Elderly Indonesians face numerous challenges, including inadequate social protection, limited healthcare access, and insufficient income security. Many people receive minimal government assistance that often fails to meet basic needs. Healthcare and long-term care services are especially scarce in rural areas, where facilities and trained staff are lacking. Discrimination further hinders their access to essential services.

To address these issues, Indonesia has implemented policies such as the National Social Security System, which offers pensions and aid to eligible citizens, including elderly individuals. The National Health Insurance Scheme aims to provide basic healthcare countrywide. Initiatives such as geriatric care units and professional training programs seek to enhance elder care quality. Despite these efforts, significant gaps persist between the needs of the elderly and available services. Businesses could help bridge these gaps, especially in long-term care. However, they face obstacles such as regulations, funding limitations, and a lack of awareness about the benefits of investing in elder care.

In summary, while Indonesia has taken steps to support its elderly population, substantial challenges remain in ensuring adequate social protection, healthcare, and long-term care services. Collaboration with businesses holds promise but requires overcoming current barriers to maximize its effectiveness.

4.2. Social Security Budget Scheme for Aging

One of the primary challenges related to social security for the elderly population in Indonesia is inadequate funding. According to a research report by the World Bank (2016), Indonesia's social security system has limited resources, which affects the quality of care provided to the elderly population. This study also revealed that social security schemes in Indonesia are fragmented and do not adequately cover the needs of the elderly population. Furthermore, social security schemes are often designed for formal workers, leaving informal workers and those without jobs vulnerable to social and economic risks (World Bank, 2016; BPS Statistics Indonesia, 2022).

Another challenge related to social security for the elderly population in Indonesia is the lack of public awareness. According to a study by Kusumawardani et al. (2018), the lack of public awareness of the importance of social security schemes has resulted in a low level of participation in social security programs. This lack of awareness affects the elderly population's access to social security benefits, resulting in a lack of financial protection during retirement. Some previous studies, such as the Financial Note in 2023, have similar findings in terms of budget allocation data analysis of social protection.

Figure 1. Budget Allocation for Social Security by Programs in 2020--2022, Indonesia

3.3. Challenges related to sustainable financing and the long-term care of social security are identified.

3.5. Analysis of current policies and practices for aging development

3.6. Prospects for the inclusion of aging in sustainable social security schemes

5. Conclusions

Indonesia faces challenges with its aging population, especially in funding long-term care. Solutions include a care insurance scheme, partnerships, and tax breaks. Political commitment and collaboration are crucial for sustainable care. Government–business cooperation is vital to ensure that seniors receive needed care. Implementing these steps can create a fairer, lasting social security system. Since 2023, Indonesia has aimed to improve elderly care and finances through better quality, expanded coverage, and funding mechanisms. These efforts mark progress in supporting elderly individuals. Indonesian businesses face obstacles such as government aid gaps, low awareness, and caregiver shortages in elder care. However, opportunities exist for innovation, service diversity, and tech use to enhance care quality and efficiency.

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