
Research Article

Positive Predictions of International Institutions, Demographic Bonuses and Covid-19: Will Indonesia Really Enjoy the Demographic Bonus Amid the Raging Covid-19 Pandemic?

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ABSTRACT

This study aims to provide a description of the positive predictions of international institutions, demographic bonuses and covid-19: will Indonesia really enjoy the demographic bonus in the midst of the Covid-19 pandemic? This study uses a qualitative method that uses a type of literature study which is carried out by examining several theories that depart from a problem then analyzed from various literatures ranging from available journals, the internet, and various existing facts. The data collection method used is through data reduction techniques, namely the selection, simplification, and transportation of data so that results or conclusions are drawn up systematically. This study concludes that the experiences of South Korea, China, and the United States are very different from Indonesia, these countries can enjoy a demographic bonus without any barrier variables in the form of the Covid-19 pandemic. Meanwhile, the demographic bonus with the growth of baby boomers in the Golden Indonesia era was obtained by this extraordinary event. Both indicators and parameters will of course differ from these countries. So this is a very big gamble for Indonesia to be in accordance with what has been predicted by the international institutions or vice versa.

Keywords: Covid-19, demographics, demographic bonus, international institutions

Background

Population issues are always interesting to study, not only regarding the components of the population process, namely fertility or birth, mortality or death, and migration or population movement, but also the components of the population structure including population size, population growth, population

composition, population distribution, quality of population, condition of population welfare, political, economic, educational, health, social, cultural, religious and environmental conditions. With regard to its demographic structure, Indonesia will get a demographic bonus where 70% of Indonesia's population is in the productive age (15-64 years) which occurs in

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population evolution with a once-a-century cycle pattern. The demographic bonus will cause population dependence where the level of the productive population bears the non-productive population (old age and children) will be very low or around 10 productive age population will bear 3-4 non-productive age population. This will be beneficial for the productivity and economic growth of a country if the human resources, especially the productive age, are of good quality and vice versa will become a boomerang if the human resources are not well prepared.

The ideals of the Indonesian people as stated in the 1945 Constitution are to protect the entire Indonesian nation and the entire homeland of Indonesia and to promote public welfare, educate the nation's life and participate in implementing world order based on independence, eternal peace, and social justice. These ideals that make Indonesia continue to develop and survive to this day, of course this cannot be separated from the wealth of natural resources and diverse human resources, this must continue to be developed and preserved so that Indonesia can be more advanced and better.

Demographic bonus is a phenomenon of population civilization of a country where there is an explosion in the number of productive age population which can be the basic capital in development (Sutikno, 2020). The demographic bonus is characterized by a situation where the population structure is dominated by productive age between 16-64 years with per capita expenditure of USD 2 - USD 20 per day. This is what is called a future opportunity from the demographic bonus (Astuti & Soetarmiyati, 2016). The demographic bonus only occurs once in the history of the population, namely when the dependency ratio is below 50/100 (Dewi et al, 2018).

The demographic bonus is assumed to be able to boost the national economy through the growth of a productive workforce. In the case of Indonesia, the demographic bonus has not been optimally optimized because the government's policies are still half-hearted. Indonesia's economy grows through the consumption of the middle class which is derived from the demographic bonus. However, consumption needs to be

balanced with productivity so that Indonesia avoids the trap of middle-income countries (Jati, 2015).

The demographic bonus is a golden opportunity that can be enjoyed by a country, as a result of the large proportion of the productive population aged between 15 - 40 years in the population evolution it experiences. The demographic bonus is a period of demographic transition, namely a decrease in the death rate followed by a decrease in the birth rate and can be used to increase economic growth by optimally utilizing the productive age population. Thus, the demographic bonus will be a great opportunity, if the number of productive age population is balanced with the availability of job opportunities.

Japan in 1950 had experienced a demographic bonus, although they had suffered defeat in the second world war in 1945. Like Korea in 1950, they are called the poorest country in Asia. But in the end, Korea was able to rise after poverty by taking advantage of the demographic bonus that could give birth to big ideas from small groups. Likewise, the Indonesian people must prepare themselves to face the demographic bonus, so that the productive age bonus will not be in vain, but its benefits can be felt for the progress of the nation (Mukri, 2018).

Demographic bonus is a condition that occurs when a country has a higher number of productive age population than non-productive age population. The demographic bonus is associated with the emergence of an opportunity called the window of opportunity that can be used to improve people's welfare. The demographic bonus can be useful in boosting economic growth. Economic growth is an excellent instrument in reducing poverty levels. In other words, the optimal use of the demographic bonus will reduce poverty significantly. However, overpopulation can create bad conditions if not managed properly. The abundance of the working age population who do not have the skills and expertise can increase the unemployment rate, crime rate, poverty rate, and hamper economic growth. Therefore, various policies need to be formulated to be able to reap the benefits through the window of opportunity that is expected to occur in 2030-2040 in

Indonesia. In optimizing the benefits of the demographic bonus, there are several things that can be done, namely by developing human quality through education and training, expanding the labor market, managing population growth, and improving the health level of the population (Setiawan, 2019).

Indonesia is predicted to receive a demographic bonus from 2020 to 2030. The demographic bonus in question is when the Indonesian state has an abundant young population, which is about 2/3 of the total population (Umar, 2017). Basically there are requirements to be able to take advantage of the demographic bonus opportunity, namely, the realization of a quality population with the availability of good education, then the availability of good health services, having a work ethic, and policies that support productive age to be efficient (Noor, 2018). However, Indonesia in welcoming the presence of the demographic bonus is accompanied by the outbreak of the Covid 19 pandemic.

This study aims to provide a description of the positive predictions of international institutions, demographic bonuses and covid-19: will Indonesia really enjoy the demographic bonus in the midst of the COVID-19 pandemic?

Methods

In this scientific article, we use a qualitative method that uses a type of literature study that is carried out by reviewing several theories that depart from a problem and then we analyze it from various literatures ranging from available journals, the internet, and various existing facts (related to demographic bonuses). The data collection method used is through data reduction techniques, namely the selection, simplification, and transportation of data so that results or conclusions are drawn up systematically. We also explain the important points in a shorter and systematic way and finally draw conclusions and verify the data.

Result and Discussion

There are several countries that have benefited from the demographic bonus, including Ireland and Japan (Bloom, Canning, & Sevilla, 2003). Ireland's economic growth increased rapidly from 3.5 percent in 1960 to 5.8 percent

in 1990, far exceeding other European countries to be dubbed the Irish Tiger. One of the reasons for this economic growth was the increased participation of women in economic activities during the 1980s to 2000s.

The next country is Japan. Japan experienced an increase in economic growth even though it had slumped after World War II. An increase in fertility and a decrease in mortality has made Japan experience a demographic bonus that can be exploited. The government's efforts, the availability of an educated workforce, and a focus on industrial and technological development have made Japan able to achieve success in increasing economic growth (Muhaimin, 2021).

Unlike Japan and Ireland, Sub-Saharan Africa is not able to enjoy the benefits of the demographic bonus. Based on the World Bank report (Lange, Wodon, & Carey(eds), 2018), several low-income countries, especially in Sub-Saharan Africa, experienced a 2 percent decline in per capita income. In fact, the poverty rate has continued to soar over the last decade. This is because population growth and the demographic bonus opportunities that are owned cannot be maximized. In fact, according to the World Bank, Sub-Saharan Africa can achieve a demographic bonus if it is able to increase investment in infrastructure and education. However, Sub-Saharan Africa cannot utilize the available resources to develop its human resources.

A number of very positive projections on the Indonesian economy have been carried out by various international institutions. Goldman Sachs predicts that with Indonesia's economic growth being quite conservative at around 4.5%, Indonesia will be in the top 7 in the world in 2050, surpassing Japan, Britain and Germany. Meanwhile, McKinsey released a more ambitious projection, where with GDP growth at 6% per year, Indonesia in 2030 will be in the number 7 position in the world. In addition, McKinsey also predicts that there will be an increase in the "consuming class" in Indonesia, from 45 million in 2012 to 135 million (in 2030); and there will be an increase in market opportunity, from \$0.5 trillion to \$1.8 trillion, particularly in consumer services, agriculture

and fisheries, key natural resources, including energy and water, and education.

Several global research institutes predict that Indonesia's position in 2045 will increase in its global role. Goldman Sachs issued the term The Next Eleven (N-11) in 2005, which is a collection of countries that have great potential together with BRIC's that will dominate the world. N-11 are Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, South Korea, Turkey and Vietnam. The criteria used by Goldman Sachs are macroeconomic stability, political maturity, trade openness, investment, and quality of education. N-11 will increasingly have an important role on a global scale.

The Citibank research institute said Indonesia would become one of the most important countries on a global scale. Indonesia is even classified as a Global Growth Generator or a driver of the global economy. In 2030, Indonesia is predicted to be the seventh largest economy in the world, after China, the US, India, Japan, Brazil and Russia. In 2050, Indonesia will become the fourth largest country in the world, after India, China and the US. Indonesia will be a high-income country by the time of 100 years of independence.

The most prominent is the success of China, India, Brazil and Russia in becoming "economic powerhouses", not only in the regional but also in global scope. These four countries, better known as the BRIC Countries (Brazil, Russia, India and China), combined have a population of nearly 3 billion or around 40% of the world's population, control a quarter of the world's land area, and have a GDP (Purchasing Power Parity) of \$18.5 Trillion. On the second layer, there are a number of other developing countries that are also experiencing rapid economic growth in the 21st century. Those who are often dubbed "the emerging economies" include Mexico, Indonesia, South Korea, and Turkey. Jim O'neil (Goldman Sachs) labels MIKT. The four MIKT countries are considered to have tremendous potential in terms of a number of economic growth parameters. They are members of the G-20, along with the BRICS and a number of developed countries. These four countries are also predicted to lead global economic growth, therefore they are often referred to as

"the EAGLE-countries" (Emerging and Growth-Leading Economies).

From a macroeconomic perspective, we see that the exponential growth pattern has been able to be produced by China since the 80s, as well as Singapore, a country based on knowledge-based economics. How about Indonesia? The world sees the Indonesian nation as one of the countries that is being awaited to become the 5th largest economy. Some of the reasons that support this vision are the potential for Indonesia's demographic bonus which will soon arrive, during the Golden Indonesia period, 2020 to 2030. As with the experiences of South Korea, China and the United States, the growth of baby boomers in the Golden Indonesia era needs to be prepared quickly and accurately. so that demographic capital is not in vain.

The Asian Development Bank in its report "Asia 2050: Realizing the Asian Century" places Indonesia in the group of seven "motorcycles of Asia's revival", namely China, India, Indonesia, Japan, South Korea, Malaysia, and Thailand. In 2010, these seven countries controlled 87% of the Asian economy. By 2050, these 7 countries will control 73% of the Asian economy and 45% of the global economy. Per capita income will rise to US\$ 45,000 or 25% higher than the global average by 2050.

All research institutes predict that Indonesia will be more advanced in the next few decades. And, they think optimistically that this republic will be even higher. Such positive predictions should not make us complacent. On the contrary, it should be used as a spur so that we can work harder, so that we can accelerate the process of economic development towards a higher level of welfare and also more evenly for all Indonesians in the future. This means that these numbers become meaningless without the best efforts made by all components of the nation.

Especially if we realize that Indonesia is supported by the superiority of the number of high human qualities, the demographic bonus that will be enjoyed by 2020-2030, and the increasing number of the middle class. Indonesia has the advantage of high human quality. For example, China and India have a big role because they are supported by a large population.

Although the average per capita income is still low compared to European countries, cumulatively, China and India have great power. The middle class has increased rapidly, the increase in the middle class is a long-term effect of education and collaboration with the hard work of every human being. The middle class can be seen from income/expenditure, educated, connected, and have access (public policy, private sector, or formal sector).

The lower ratio of productive and non-productive age is also a demographic bonus. Indonesia will enjoy a demographic bonus in the 2020-2030 timeframe. In this range, Indonesia has the advantage of increasing productivity. Facts prove that developed countries are starting to lose their young generation due to an increase in the number of older generations. As a result, developed countries import foreign workers to sustain their activities. The demographic bonus is an interesting factor where a country gets the maximum benefit with a low dependency ratio between productive and non-productive age. This means that the number of non-productive age borne by productive age is decreasing.

In 2010 productive age (15-65 years) was around 66% and non-productive age (<15 years and >65 years) was around 34%. The dependency ratio is 51, meaning that 100 people of productive age must support 51 non-productive people. In 2020-2030, Indonesia will enjoy a demographic bonus, with a total productive age of around 70%. With a lower dependency ratio, Indonesia has the opportunity to increase productivity and welfare. However, if not managed properly, it will be a demographic disaster, namely unemployment on a large scale and major health problems.

Indonesia's middle class has shown a sharp increase in this decade, and is expected to continue to increase. It is this middle class that will function as a driving force for the state (economic, political, social, and cultural). The middle class has better access to education. The middle class is the driving force because it has the ability to have a high level of consumption, which will eventually drive the national economy. The middle class also has access to economic resources and can move the wheels of the economy. The number of people with more

productive working age than the retirement age will trigger an increase in productivity. This condition can be achieved if on a macro-system there is a character and innovative education, as well as a high quality of public health.

Based on World Bank data, in 2003 the number of Indonesian middle class was only 37.7%. However, in 2010 the middle class in Indonesia jumped to 134 million people or 56.6 percent of the population, a very large natural market potential. In addition, Indonesia also has other advantages in the form of abundant natural resources and political stability. Based on these advantages, a number of parties assess that Indonesia has great potential to become a member of the group of developing countries and is influential in the global economy following South Korea to complete its membership (BRICS).

There are three groups of factors that determine the level of competitiveness of a country. First, basic requirements such as institutions, infrastructure, macroeconomic conditions and the level of education and public health. These factors are considered as the main motor driving economic growth (key for factor - driven economies). Empirically, these factors have been shown to be positively correlated with economic growth. The second group is factors that can increase economic efficiency or productivity (key for efficiency - driven economies), such as higher education and training (quality of human resources), efficient market performance, and technological readiness at the national level as well as individual companies. The third group is the factors of innovation and the sophistication of the production process within the company which together determine the level of innovation of a country (key for innovation - driven economies).

Lee Kuan Yew, in an ASEAN forum once said that Indonesia has a strong infrastructure and middle class, so we just have to pull the lever to make the economy move fast. Why should it be middle class? In an ideal pyramid structure, the middle class outnumbers the upper class, and outnumbers the expanding lower class. The middle class has the character of being able to withstand economic shocks. If you follow the reverse logic of the vicious circle model from

economist Gunnard Myrdal, then it is the middle class who are able to invest (including education, health) because their income is above average, so that they have high human capital and human resources to be able to produce high productivity.

The question that arises next is, "Are the positive predictions pinned by international institutions, the demographic bonus that Indonesia will enjoy in 2020-2030, and a strong middle class can really be utilized and enjoyed by the outbreak of the Covid-19 pandemic? Of course the answer will be closely related to the parameters shown by the country's ability to overcome this pandemic. Failure or wrong prediction is not impossible, it will plunge Indonesia into failure to enjoy the demographic bonus. The experiences of South Korea, China, and the United States are very different from Indonesia, these countries can enjoy a demographic bonus without any barrier variables in the form of the Covid-19 pandemic. Meanwhile, the demographic bonus with the growth of baby boomers in the Golden Indonesia era was obtained by this extraordinary event. Both indicators and parameters will of course differ from these countries. So this is a very big gamble for Indonesia to be in accordance with what has been predicted by the international institutions or vice versa.

At the beginning of 2020, the world, including Indonesia, was faced with a catastrophic outbreak of Corona Virus Disease 2019, otherwise known as COVID-19, and in mid-March 2020 WHO declared the outbreak a global pandemic and became a world disaster. Data as of August 28, 2020, 24,650,487 confirmed cases. 836,049 deaths worldwide. As for Indonesia, the number of cases exposed to the virus was 165,887 people with a death toll of 7,169 people (Chairani, 2020). As a non-natural disaster. The spread of the Corona virus (COVID-19) is very fast. The vigilance of the outbreak, which initially only had an impact in the form of a health crisis, has now shifted to a multi-crisis. All development sectors will feel the impact, one of which is the Demographic Bonus (Tamanbali, 2021).

In the health sector, which is very massive, the impacts caused by this pandemic are multi-dimensional. In the context of national resilience, there are eight aspects or *asta gatra* that

are also facing impacts due to the COVID-19 pandemic. Public health as part of the demographic variable, namely morbidity and mortality, is experiencing shocks due to the COVID-19 pandemic. The pandemic also has an impact on other aspects, including the economic one, because the epidemic has affected the world economy, including Indonesia. The shock to the economy, triggered by the COVID-19 pandemic, then had an impact on the employment situation in Indonesia (Pantjoro, 2021).

The implementation of the Large-Scale Social Restriction (PSBB) policy in a number of areas to reduce the spread of the virus has implications for the cessation of both social and economic activities of the community for the time being. The cessation of production activities has implications for the decline in Indonesia's economic growth rate. From the business side, this condition greatly affects the company's financial capacity and has an impact on the dismissal of most employees and even termination of employment (PHK).

Besides that, there are also workers in the tourism service sector, trade and informal sector workers who reduce their activities, and are even forced to be unemployed. Likewise, migrant workers from several countries who were repatriated due to the COVID-19 pandemic have also added to a new wave of unemployment. The problem of unemployment is part of the problems in the demographic aspect (state and ability/quality of the population) as part of the natural aspect or *Trigatra*. In addition, unemployment, because it is related to job opportunities, is also a variable of the economic style as part of the five *gatra*.

The impact of the COVID-19 pandemic on the demographic and economic aspects brings quite heavy problems. This is related to the phenomenon of the opportunity to reap the demographic bonus. Based on the 2015-2045 Indonesian Population Projection, that the peak of the demographic bonus will take place in 2021-2022, where Indonesia has a dependency ratio at its lowest point of 45.4, which means 100 people of productive age 15-64 years) only bear less than half (45.4 people of non-productive age, namely children (<15 years) and the elderly (>65 years).

The following is a brief overview of Indonesia's economic growth during the Covid-19 pandemic. The Coordinating Ministry for Economic Affairs through a press release stated that Indonesia's economic growth in Quarter II-2021 grew by 7.07% (yoy), the highest in the last 16 years. This also recorded the highest quarterly growth record since the Subprime Mortgage Crisis, even higher than peer countries. This growth was achieved when the average active Covid-19 case during the second quarter of 2021 was recorded at around 113,218 cases.

Meanwhile, if we base the information released by the Central Statistics Agency (BPS) it shows that Indonesia's economic growth is experiencing a slowdown as a result of the COVID pandemic. The Central Statistics Agency (BPS) informed that Indonesia's economy grew slower by 2.97% (year on year) which occurred in the first quarter of 2021. When compared to the fourth quarter of 2020, Indonesia's economic growth decreased by 2.41%. Economic growth slowed down in line with the weakening of people's purchasing power. The people's purchasing power is a component that is used as a measuring tool for spending on economic growth.

If we relate to the condition of unemployment in Indonesia based on the survey results from the Central Statistics Agency in 2010, it is found that the total population of Indonesia is more than 237 million people. The total population of Indonesia has a relationship with economic growth and unemployment. In 2007 the total population of Indonesia reached more than 224 million people. When compared with the 2010 population, Indonesia's population can be said to have increased. An increase in population can lead to an increase in the unemployment rate. The increase in the unemployment rate is caused by an increase in the number of people who cannot be absorbed by available jobs. Another factor that can be an unemployment rate is the environmental conditions in a country.

The demographic bonus faced by the Indonesian government has two sides, namely potential and threats. As a potential, it can be seen

from the opening of access to basic education for the underprivileged population, population education which is included in the basic education curriculum, education and population-oriented life behavior which aims to make young people aware of and know various issues or problems in population to be the foundation of the State in face this demographic bonus. In addition, technological progress which makes it easier and simplifies in various ways is also a potential for the State in dealing with the demographic bonus. The number of entrepreneurs who are able to create employment opportunities for the Indonesian population is also an additional point that the State of Indonesia is able to turn a demographic disaster into a demographic bonus. However, it is undeniable that the coronavirus outbreak has caused economic activity to weaken and be hampered. Many companies continue to carry out their production processes but cannot be accompanied by income or income. Thus, the company cannot bear the cost of salaries or wages for each employee. The company, in the end, decided to terminate the employment relationship (PHK) for the employees. Employees affected by layoffs come from the formal and non-formal sectors. Formal sector workers are those who seek to be assisted by permanent workers, and those who become laborers, employees, and employees. Meanwhile, non-formal sector workers are those who are self-employed, trying to be assisted by precarious workers, casual workers, and unpaid workers.

Conclusion

The experiences of South Korea, China, and the United States are very different from Indonesia, these countries can enjoy a demographic bonus without any barrier variables in the form of the Covid-19 pandemic. Meanwhile, the demographic bonus with the growth of baby boomers in the Golden Indonesia era was obtained by this extraordinary event. Both indicators and parameters will of course differ from these countries. So this is a very big gamble for Indonesia to be in accordance with what has been predicted by the international institutions or vice versa.

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