

THE POLITICS AND POLICIES OF POPULATION CHANGE IN INDONESIA AND MALAYSIA

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Abstract

Indonesia and Malaysia will soon experience the consequences of an ageing population. Both countries, however, are not yet prepared well for this major demographic change and have only adopted few policies with regard to an ageing society. This article explains the features of and the reasons for the demographic changes in Indonesia and Malaysia before it will analyse the main policy challenges in a comparative perspective.

Keywords: Demography, Ageing, Demographic Policies, Malaysia, Indonesia

Introduction

The population in both Malaysia and Indonesia, has changed to a great extent in the last 50 years and a further population transformation is predicted. If the UN prognoses become true both Indonesia and Malaysia will not only witness a substantial increase of their respective populations in the next 25 years but also a significant ageing process.

Both countries were chosen, because they are two major states in Southeast Asia which have common roots but have taken somewhat different economic and political ways in the last 70 years after becoming independent countries. Additionally, both countries do not seem to be well prepared to deal with the challenges of a society with a higher proportion of older people. In so far, the comparison will be based on a “most similar” design.

Indonesia is the fourth-largest country (after China, India and the USA) in terms of population size worldwide. The country is home of at least 400 hundred different ethnic groups and cultures. However, nearly 40 percent of the population can be classified as Javanese, the dominant ethnic group of Indonesia. Indonesia's national motto is "unity in diversity" (*Bhinneka Tunggal Ika*) and reflects the multitude of ethnic, cultural and linguistic in the world's largest archipelago, which stretches more than 5000 kilometres from West to East through three different time zones. In the latest (2016) Human Development Index of the United Nations Development Programme Indonesia is ranked on position 113 worldwide as a country with medium human development.

Indonesia's neighbour country Malaysia has a similar cultural, linguistic and historic background as the Western parts of Indonesia. However, the country is much smaller and has seen, not least due to the British colonial past, a massive influx of labour migrants from South China and India in the first half of the 20th century. After independence in 1957/1963 Malaysia progressed quite fast and developed markedly better in socio-economic terms than Indonesia. Malaysia is now (together with the small city states of Singapore and Brunei), one of the wealthiest and most developed states in Southeast Asia. In the above mentioned Human Development Index Malaysia is ranked on position 59 worldwide as a country with high human development.

There are multitude of country studies on either the Indonesian or Malaysian demographic developments (e.g. Kohler/ Behrmann 2017, Mahari 2011, McDonald 2014, Rabi 2017), but

there are very few comparative papers. Additionally, many of the papers written by demographers focus on mathematical models and analyses of population developments, whereas I will focus on the politics and policies of population change in the two countries under research.

To this end, I will first give a concise description of the major demographic trends in Indonesia and Malaysia before drawing some tentative conclusions about the demographic challenges for both countries in a comparative perspective.

The Political Demography of Indonesia

Since its independence in 1945, Indonesia has witnessed an impressive population growth. Within 40 years the population more than doubled from 72.8 million people in 1950 to 181.4 million people in 1990. Until the mid-1960s Indonesia was an extremely poor and underdeveloped country. Since then, the country has steadily developed and is now regarded as a lower middle income country in World Bank terms. In so far, one of the explanatory factors of the rapid population growth is the improvement of the living conditions for the average population.

Since 1990 the population growth continued, but with slower pace (see table 1). Population growth peaked near 2.6% per year in the late 1960s when Indonesia's population was around 110 million. For the next 25 years after 2015, population growth is estimated to be around 1.1% and it is projected to decline to 0.2% by 2050 when the population is expected to reach 321 million (Kohler/Behrman 2017: 6).

| | Total Population |
|------|-------------------------|
| 1990 | 181.436,8 mio. |
| 2015 | 257.563,8 mio. |
| 2040 | 312.439,3 mio. |

Table 1: Total Population of Indonesia, Data from Database Global Political Demography v1_20171006

Indonesia has currently (end of 2017) a population of more than 260 million people and is expected to grow by 50 million more people until 2040. The UN predicts that the country will have more than 312 million citizens then.

The birth rate of Indonesia was very high in 1960 with 44.56 births per 1000 citizens, still very high in 1970 with 39.97 and only became lower in 1980 with 33.40. In 1990 it was 25.81 births per 1000 citizens. The birth rate of the Indonesian population fell steeply from the 1960 until the mid-1990s, but has then declined only slowly since the mid-90s (see Figure 1 below). The numbers were 21.76 in the year 2000, 20.86 in 2010 and 19.35 in 2010.

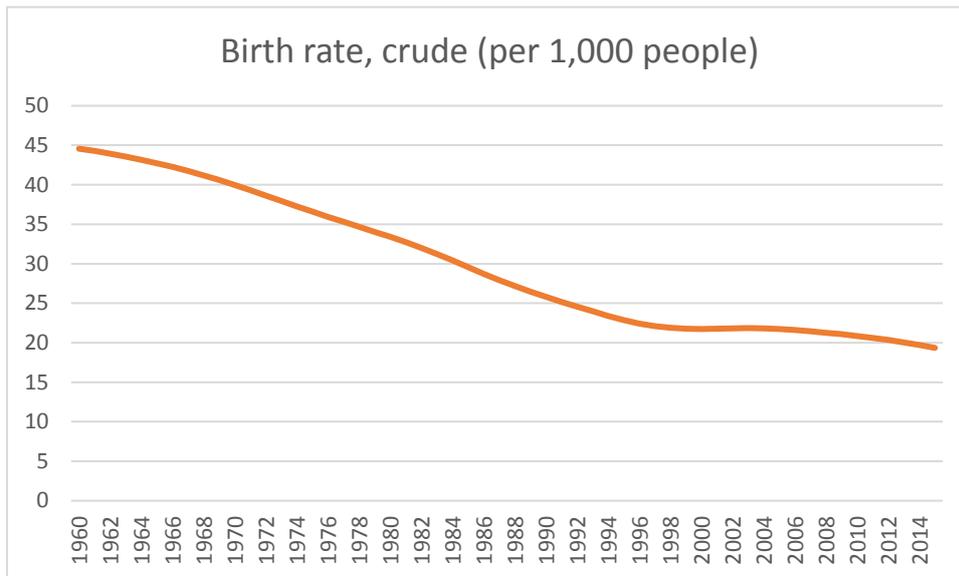


Figure 1: Birth rate per 1000 people in Indonesia, own graph, Source: World Bank Development Indicators

The declining birth rate is closely connected with the decrease of the total fertility rate of the Indonesian population. This rate dropped from an average 5.5 children per woman in 1970 to about 2.3–2.6 children per woman in 2010–15 (Kohler/Behrman 2017: 6) as can be seen in Figure 2. This means that in only 40 years, the average number of children per woman went down by 3.

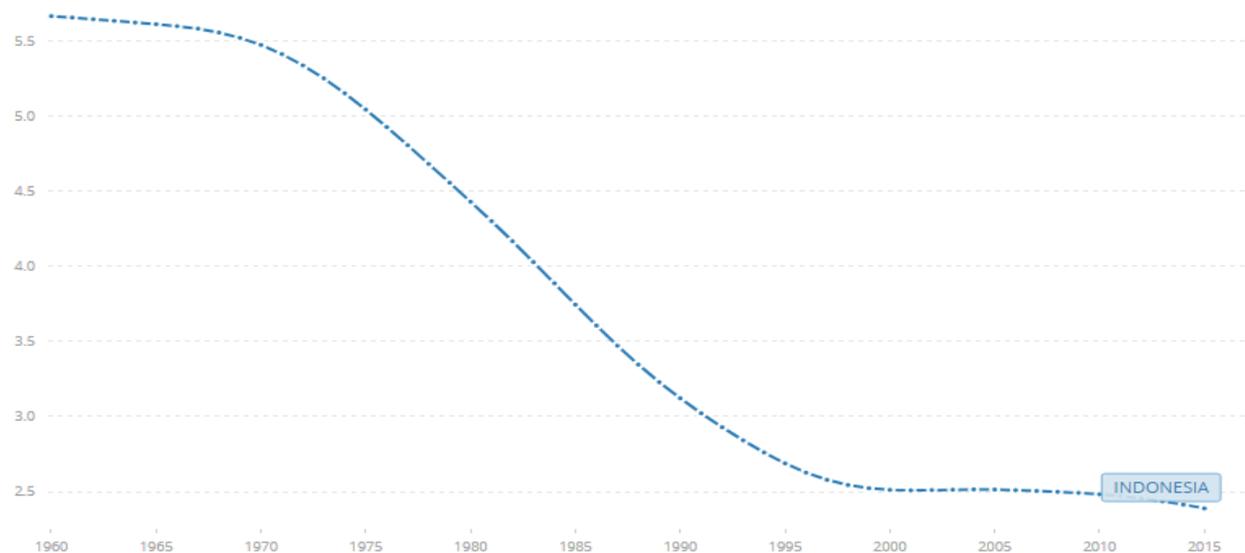


Figure 2: Total Fertility Rate per Woman in Indonesia, Source: World Bank Development Indicators

Population growth in Indonesia is quite uneven. Between 2000 and 2010 it was highest in the province of Papua (5.46 percent) and lowest with 0.37 percent in Central Java (VDSI 2017). It can be seen in Figure 3 that the most developed and richest areas of the country (Jakarta, Java, Yogyakarta, etc.) have the lowest fertility rate, whereas the poorest and least developed areas

such as Nusa Tenggara Timur and Papua in the Eastern parts of Indonesia have the highest fertility rates.

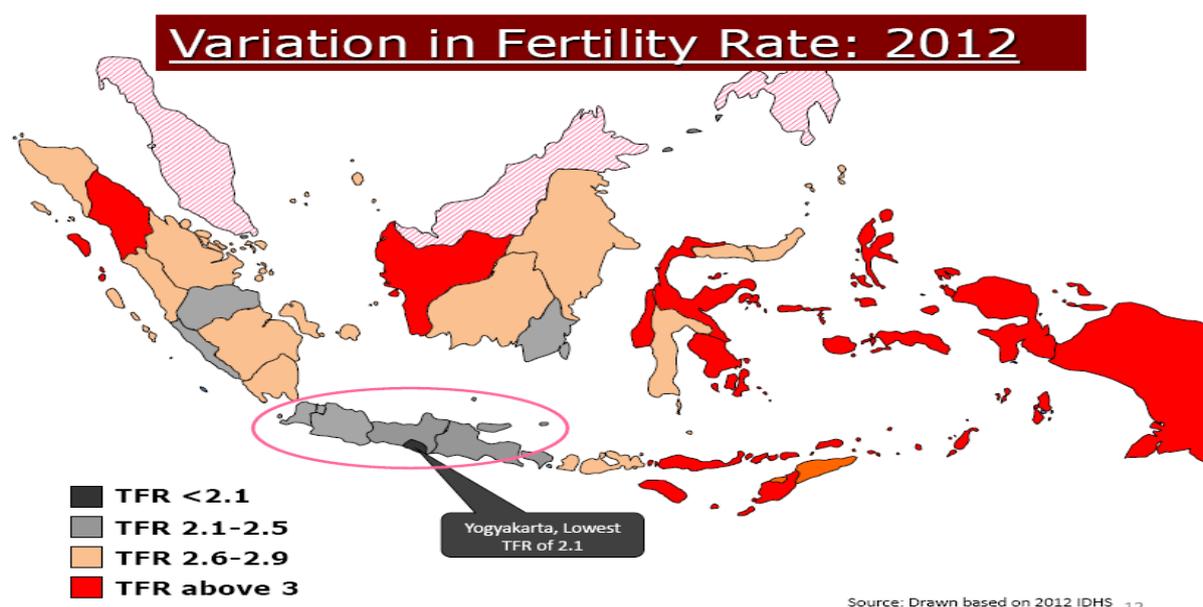


Figure 3: Variation in Fertility Rate 2012, from Sonny Harry Budiotomo Harmadi, in: Kohler/Behrman (2017: 14)

One reason for the reduced population growth in Indonesia is that the Indonesian governments since the late 1960s promoted the use of contraceptives. Family planning in Indonesia is until now coordinated by the National Family Planning Coordinating Board (NFPCB).

Another factor which changed the demographic structure of Indonesia is the growing average life expectancy. It has grown enormously in the last 70 years. In 1950, the average citizen died with 38.8 years. This number moved up to 46.9 years in 1970 and 58.8 years in 1980. As we can see in table 2, the life expectancy continued to grow from 1990 (62.67 for males and 65.67 for females) until 2015 (67.35 for males and 71.65 for females). It is expected to be above 70 years for both sexes in 2040.

| | Life Expectancy for Males | Life Expectancy for Females |
|---------|---------------------------|-----------------------------|
| 1990-95 | 62.67 | 65.67 |
| 2015-20 | 67.35 | 71.65 |
| 2040-45 | 70.31 | 75.60 |

Table 2: Data from Database Global Political Demography v1_20171006

All the above describe population developments in Indonesia led to a remarkable change of the age structure of Indonesian society. Table 2 below shows the distribution of different age sectors in 1990, 2015 and 2040 (UN prediction).

| | 0-14 years | 15-65 years | 65-100 years |
|------|-------------------|--------------------|---------------------|
| 1990 | 66.104,4 mio. | 108.465,7 mio. | 6.866,8 mio. |
| 2015 | 71.325,6 mio. | 172.912,6 mio. | 13.325,7 mio. |
| 2040 | 66.745,6 mio. | 209.983,9 mio. | 35.709,9 mio. |

Table 3: Data from Database Global Political Demography v1_20171006

In 1990, young people below 15 years were a quite big group with 35.43 percent of the total population. Their absolute number was only growing slowly until 2015. Their percentage of total population, however is nearly 10 percentage points lower. This will continue until 2040 when the proportion of young people below 15 years is expected to drop to 21.36 percent of the total population.

| | Percentage 0-14 years | Percentage 15-65 years | Percentage 65-100 years |
|------|----------------------------------|-----------------------------------|------------------------------------|
| 1990 | 36.43 % | 59.78 % | 3.78 % |
| 2015 | 27.69 % | 67,17 % | 5,17 % |
| 2040 | 21,36 % | 67,21 % | 11.43 %. |

Table 4: Data from Database Global Political Demography v1_20171006, own calculations

Nearly 70 percent of the population were in the productive age between 15 and 64 in 2015. Such high numbers indicate that - from a demographic perspective - there is great potential for both productivity and economic growth in Indonesia. The proportion of working people in the total population is high and this demographic dividend gives more people the chance to be productive and contribute to growth of the national economy. It must be seen in the Indonesian context as well, however, that there are currently millions of (educated) unemployed Indonesians who cannot be absorbed by the labour market (VDSI 2017). The unemployment rate, particularly for people between the age of 15 and 24 is quite high and far above the country's national average.

Slowly, as can be seen in Figure 4, the population age structure will shift from a still relatively young population pyramid to one that is characterized by significant population ageing, with the share of the population above age 65 increasing from 5.17 % to 11.43 %.

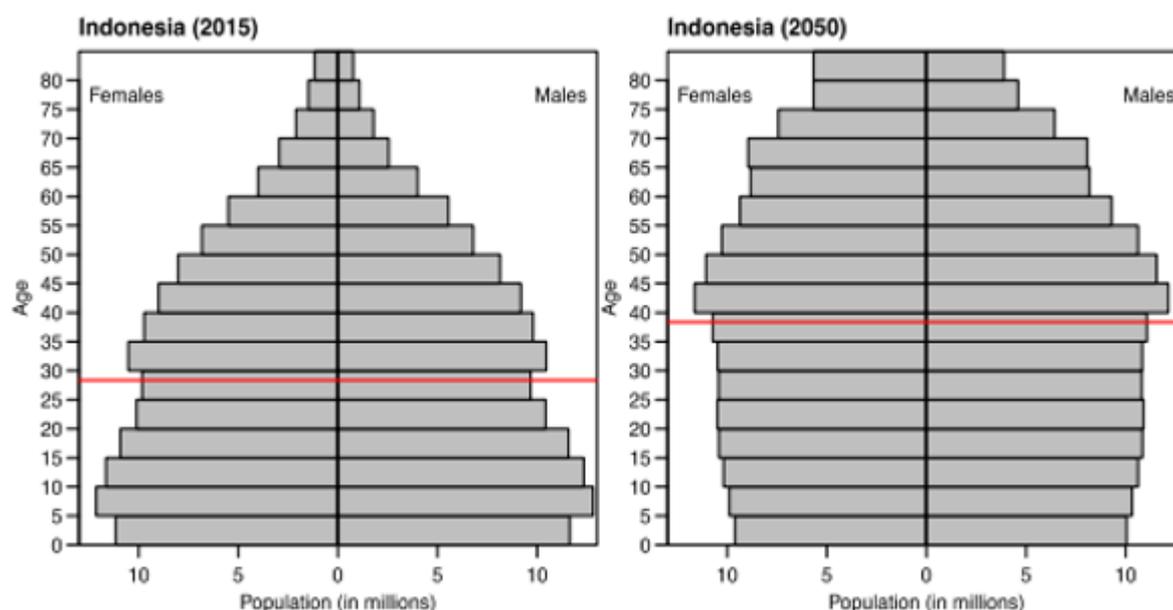


Figure 4: Population according to age, Source: Kohler/Behrman (2017: 4)

The same development towards an ageing society can also be seen if we take the median age as indicator. Median age is the age that divides a population into two numerically equal groups - that is, half the people are younger than this age and half are older.

| | |
|------|-------|
| 1990 | 21.30 |
| 2015 | 28.01 |
| 2040 | 34.33 |

Table 5: Median Age in Indonesia, Data from Database Global Political Demography v1_20171006

As table 5 shows, the median age in Indonesia has increased significantly. However, even by 2040, Indonesia will not yet have an ‘old’ population age structure. In 2015 in countries such as Germany or Japan already had a median age above 46 years.

Nevertheless the number of old people will rise to a great extent as can be seen in table 6. Particularly the number of older people above 80 years will more than double in the years between 2015 and 2040

| | Population above 65 years | Population above 80 years |
|------|----------------------------------|----------------------------------|
| 1990 | 3.78 % | 0.43 % |
| 2015 | 5.10 % | 0.65 % |
| 2040 | 11.15 % | 1.48 % |

Table 6: Proportion of Old People in Indonesia, Data from Database Global Political Demography v1_20171006

Indonesia is a country that has a negative migration balance, meaning far more people are leaving the country every year than migrating to Indonesia. The following table 7 illustrates that Indonesia has quite a significant amount of workers abroad, particularly in neighbouring countries such as Malaysia or in Middle Eastern countries near the Persian Gulf. The labour migration is predicted to continue until 2040 and afterwards.

| | |
|---------|----------|
| 1990-95 | -381.823 |
| 2015-20 | -825.000 |
| 2040-45 | -700.000 |

Table 7: Data from Database Global Political Demography v1_20171006

Another population trend in Indonesia is urbanization. The United Nations projected that by 2050 two thirds of Indonesia's population will live in urban areas. Over the last forty years the country has experienced a process of rapid urbanization, resulting in the current situation in which over half of Indonesia's total population resides in urban areas (see table 8 below). For the economy this constitutes a positive development as urbanization and industrialization are necessary to grow into the ranks of a middle income country (VDSI 2017).

| | 1995 | 2000 | 2005 | 2010 | 2050 |
|---|------|------|------|------|------|
| Rural Population in percent of total population | 64 | 58 | 52 | 46 | 33 |
| Urban Population in percent of total population | 36 | 42 | 48 | 54 | 67 |

Table 8: Rural and urban population in Indonesia, Source: World Bank Development Indicators

The Political Demography of Malaysia

The first census in Malaysia in 1970 counted a population of about 11 million people. As table 9 shows, a significant rise of the population has taken place since then. The number of citizens nearly tripled to over 30 million people. The population of Malaysia is expected to further grow up to 38.5 million people in 2040.

| | Total Population |
|------|-------------------------|
| 1990 | 18.211,1 mio. |
| 2015 | 30.331,0 mio. |
| 2040 | 38.852,9 mio. |

Table 9: Population Development Malaysia, Data from Database Global Political Demography v1_20171006

The crude birth rate of Malaysia went down quite steeply from 42.69 in 1960 to 33.85 in 1970. In the following years the decrease was markedly lower to 31.31 in 1980 and 28.09 in 1990. Between 1990 and 2000 it fell quite strong again to 21.97 and only very slow until then (17.09 in 2015).

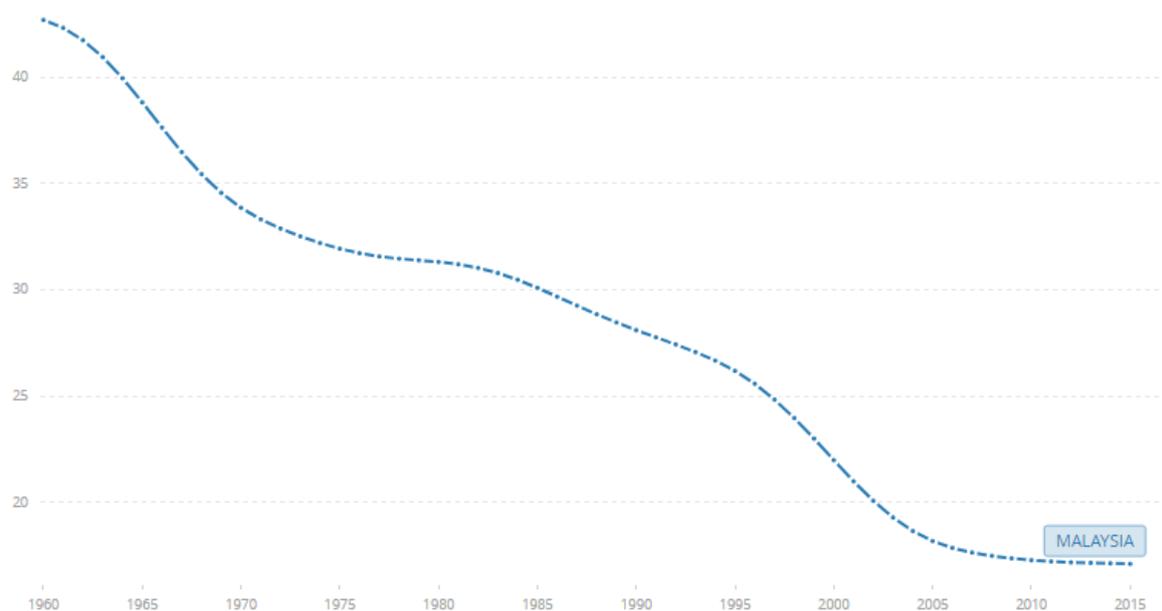


Figure 5: Crude Birth Rate of Malaysia, Source: World Bank Development Indicators

The total fertility rate of Malaysia declined enormously in the last 55 years. Whereas every Malaysian woman gave birth to an average 6.5 children in 1960, this number went down to 5.0 in 1970, 4.07 in 1980, 3.55 in 1990, 2.78 in 2000, 2.15 in 2010 until a comparatively very low 2.06 in the year 2015.

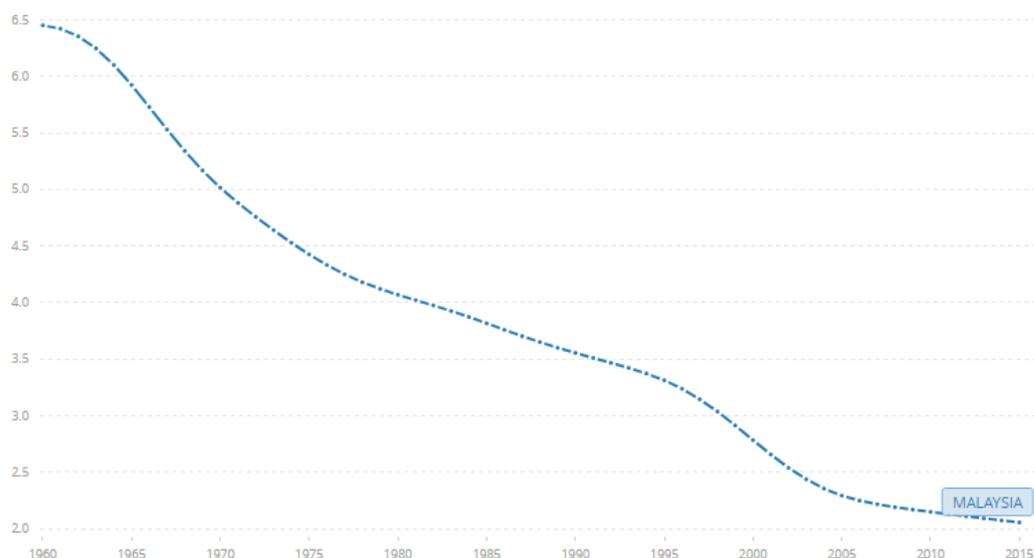


Figure 6: Total Fertility Rate in Malaysia, Source: World Bank Development Indicators

It is apparent that the Malaysian population is growing but at a decreasing rate. This was caused by a decline in the number of births, as the crude death rate remained constant while the total fertility rate fell. As can be seen in Figure 7 below, there are some remarkable regional differences in terms of the birth rates in the various Malaysian states. The birth rates in the rural and rather traditional Islamic states of Kelantan and Terengganu are higher than in the rest of

the country, whereas the birth rate in Pulau Pinang, a rather urban state with a high percentage of Chinese population is the lowest in all states. The birth rate in the rural and less developed East Malaysian states Sabah and Sarawak on Borneo island with a lower percentage of Islamic population is also remarkably low. It is not clear why there is such a high birth rate in the federal administrative capital of Putrajaya near Kuala Lumpur, maybe due to a relatively high number of good quality hospitals where neighbouring state citizens come for giving birth there.

Chart 1: Crude birth rate by state, Malaysia, 2014 and 2015

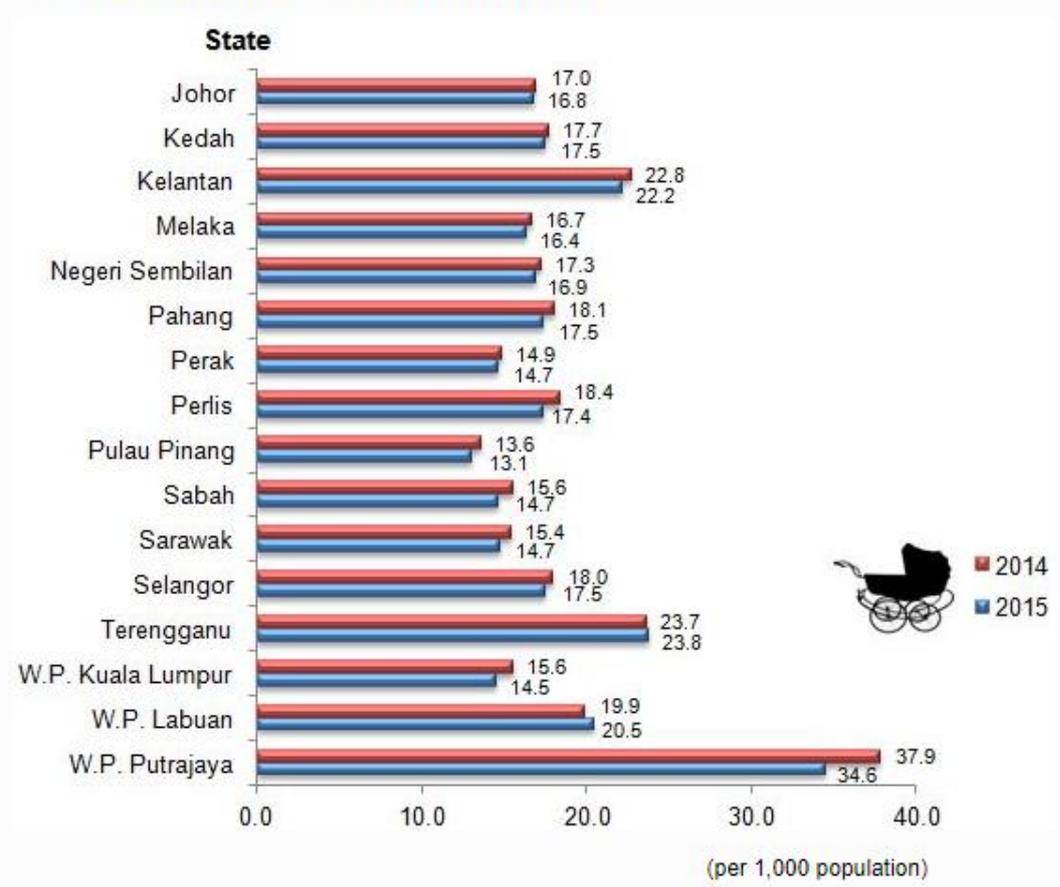


Figure 7: Crude Birth Rate by State, Source: Department of Statistics Malaysia, Vital Statistics 2015

As can be seen in the tables 10 and 11 below, Malaysia had a very young population in 1990 with a high number of young people below 15 years and only very few senior citizens older than 65. This has already changed to some extent until 2015, when the percentage of young people below 15 years quite steeply dropped from 37.1 to 24.5 percent. This trend will continue. Until 2040 the percentage of young people (despite only a small decrease in absolute numbers) will go down to 18.9 percent of the total population.

| | 0-14 years | 15-65 years | 65-100 years |
|------|--------------|---------------|--------------|
| 1990 | 6.755,7 mio. | 10.797,8 mio. | 0.657,6 mio. |
| 2015 | 7.432,6 mio. | 21.122,4 mio. | 1.776,0 mio. |
| 2040 | 7.371,2 mio. | 26.522,6 mio. | 4.959,2 mio. |

Table 10: Age Structure of Malaysia, Data from Database Global Political Demography v1_20171006

| | 0-14 years | 15-65 years | 65-100 years |
|------|-------------------|--------------------|---------------------|
| 1990 | 37.10 % | 59.29 % | 3.61 % |
| 2015 | 24.52 % | 69.64 % | 5.86 % |
| 2040 | 18.97 % | 68.26 % | 12.76 % |

Table 11: Age Structure of Malaysia, Data from Database Global Political Demography v1_20171006, own calculations

At the same time the number of people who are older than 65 years, which is relatively low with 3.6 and 5.8 percent in 1990 and 2015 respectively, will significantly increase until the year 2040. For that year the UN predicts that 12.86 percent of the Malaysian population will be older than 65 years old.

Another phenomenon for an ageing population is a rise in the life expectancy. A Malaysian who was born in 1955 in average reached an age of 55.4 years. This number rose to 60.6 in 1960, 64.9 years in 1970 and 68.1 in 1980. If we analyse the statistics presented in table 12, we can see the average life expectancy at birth further increased to over 70 years in 1990 and to about 75 years in 2015. It is expected that it will further grow near the age of 80 years in 2040.

| | Male | Female |
|---------|-------------|---------------|
| 1990-95 | 69.45 | 73.25 |
| 2015-20 | 73.37 | 77.92 |
| 2040-45 | 77.41 | 81.43 |

Table 12: Life Expectancy at Birth in Malaysia, Data from Database Global Political Demography v1_20171006

In correlation with the rising life expectancy the median age in Malaysia (see table 13) will further rise. Whereas it was only 21.56 years in 1990, it already grow to 27.68 years in 2015. For 2040, the UN predicts a further rise up to 37.65 years.

| | |
|------|-------|
| 1990 | 21.56 |
| 2015 | 27.68 |
| 2040 | 37.65 |

Table 13: Median Age in Malaysia, Data from Database Global Political Demography v1_20171006

The demographic changes in Malaysia can also be depicted in form of population pyramids. As shown in Figure 8, the form of the pyramid in 1980 is that of a developing country in which the largest group are children and young people. In 2015, the largest group is that of persons in working age providing a favourable demographic profile for the labour market. In 2050, however, the pyramid has more the features of an ageing society.

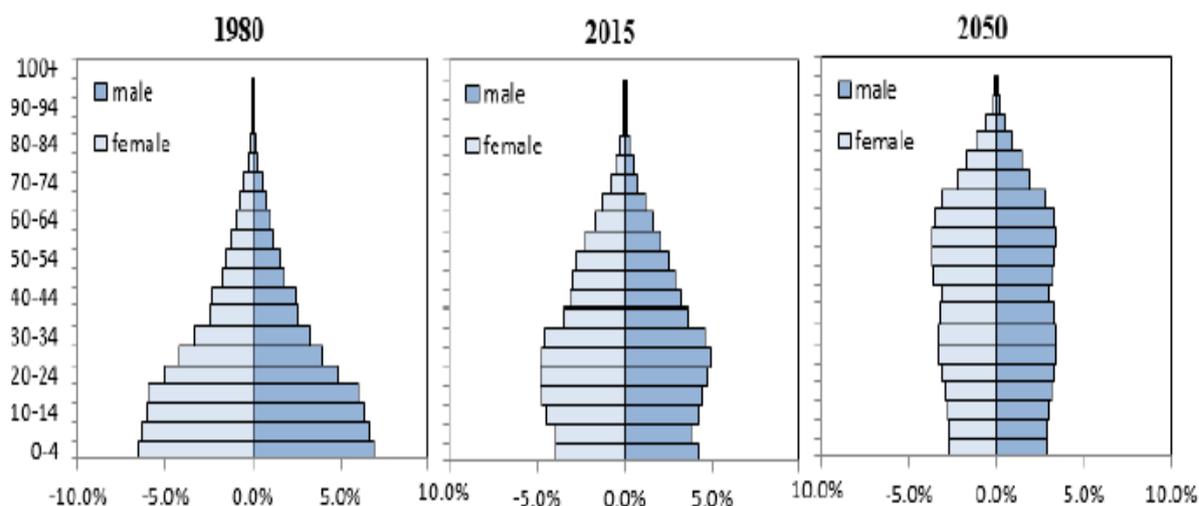


Figure 8: Population Pyramids of Malaysia, Source: Rabi (2017: 7).

As already mentioned several times above, the proportion of older people will rise significantly in Malaysia. Particularly the percentage of people above 80 years will more than triple between 2015 and 2040.

| | Population above 65 years | Population above 80 years |
|------|----------------------------------|----------------------------------|
| 1990 | 3.68 | 0.49 |
| 2015 | 5.86 | 0.83 |
| 2040 | 12.40 | 2.60 |

Table 14: Proportion of Old People in Malaysia, Data from Database Global Political Demography v1_20171006

As a rather well-developed and comparatively rich country Malaysia attracts a number of labour migrants from nearly all neighbouring countries. This particularly refers to Indonesia, but also to the Philippines and more distant countries such as Myanmar, Bangladesh, Nepal, China and India.

Official figures are difficult to obtain, because a high number of migrants is not officially registered. However it is estimated that at least 2.5 million labour migrants (among them more than 1 million from Indonesia) are currently in Malaysia. The UN predicts that there will be more migration to Malaysia in the future (see table 15) which will add to the population growth in the country.

| | |
|---------|---------|
| 1990-95 | 298.812 |
| 2015-20 | 250.000 |
| 2040-45 | 250.000 |

Table 15: Net Migration in Malaysia, Data from Database Global Political Demography v1_20171006

As in many other parts of the world, urbanisation also took place in Malaysia and transformed the population quite considerably in the last 50 years. In 1960 only 26.6 percent of Malaysians

lived in urban area and 73.4 percent in the countryside. Until 2015 the living situation has turned in the opposite when nearly 75 percent of the Malaysians live in cities.

| | 1995 | 2000 | 2005 | 2010 | 2015 |
|---|------|------|------|------|------|
| Rural Population in percent of total population | 45.3 | 38.0 | 33.4 | 29.1 | 25.3 |
| Urban Population in percent of total population | 55.7 | 62.0 | 66.6 | 70.9 | 74.7 |

Table 16: Rural and urban population in Malaysia, Source: World Bank Development Indicators

The population growth of Malaysia will produce significant changes in the ethnic composition of the population in the next 50 years. The percentage of Malaysian Chinese and Malaysian Indians is predicted to shrink as their birth rates are significantly lower than that of the Malay Muslims. Their fertility has remained relatively high due to pro-natalist cultural values and to some extent also the traditional role model of women as housewife and mothers in traditional Islamic lifestyle. Additionally, the Malaysian government has offered financial incentives for children of Malay Muslims as part of their *Bumiputera* policy, which is a kind of affirmative action program for Malay Muslims.

The relations between the major ethnic groups are a very sensitive issue in Malaysian politics. Particularly the Chinese community in Malaysia sees the expected demographic changes with anxiety. The socio-economic and cultural milieu of the Chinese community (generally more urban, wealthy and educated than other ethnic groups in Malaysia) is responsible for a faster ageing of this population group than others. It is thus the Malaysian Chinese community that will most probably “bear the impact of the many problems and issues associated with ageing ahead of the Malays and Indians” (Chai/ Hamid 2015: 11).

Political and Social Problems of Population Change in Malaysia and Indonesia

Despite their country-specific and historic differences, the similarities between Indonesia and Malaysia in terms of political demography are remarkable. Both countries witnessed an extremely high population growth between the 1970s until around 1990. At least since then both countries have enjoyed a relatively favourable demographic environment characterised by a very high working age population, which was growing at a higher rate than the overall population. Particularly Malaysia, but also Indonesia to a lesser extent, has been very successful in translating this demographic window of opportunity into a sustained economic growth path, poverty reduction and achievement in non-income dimensions (Nori 2017).

However, Malaysia and Indonesia are both now coming slowly at the end of their demographic window of opportunity. After 2050, both countries are predicted to become “aged nations”, which is defined when the post-working population (65 years and older) constitutes 14 percent or more of the total population. Compared to other countries worldwide, the transformation from a very young to an ageing society within a few generations is very fast.

The key drivers of Malaysia’s and Indonesia’s ageing population relate to longer life expectancies and declining fertility rates. What were the reasons for this? Malaysia and Indonesia have sustained a long period of consistent economic growth starting from the 1970s which has led to improved living conditions, advances in medical science and contributed positively to healthcare system. Meanwhile, new social norms relating to more Malaysian and Indonesia women pursuing their education and career aspirations led to later marriage and less

children per woman (Sumra 2016). It was observed in Malaysia that the mean age of the first marriage of women has increased from 21.6 to 25.1 years from 1970 to 2000 (Mahari 2011: 4). The opportunity for women to pursue higher education and skills level empowers them to participate in the labour market. This contributed to delay in their marriage (see also Hirschman/ Bonaparte 2012: 30f.). Another reason for the declining birth rate was the availability and acceptance of contraceptives in both countries. The Indonesia government actively promotes and financially supports family planning since the later 1960s until today. Consequently, the birth rate in both countries dropped significantly as can be seen in Figure 9. Together with a sharply rising life expectancy due to better nutrition as well as medical and hygienic progress in both countries, the declining birth rates will lead to ageing societies.

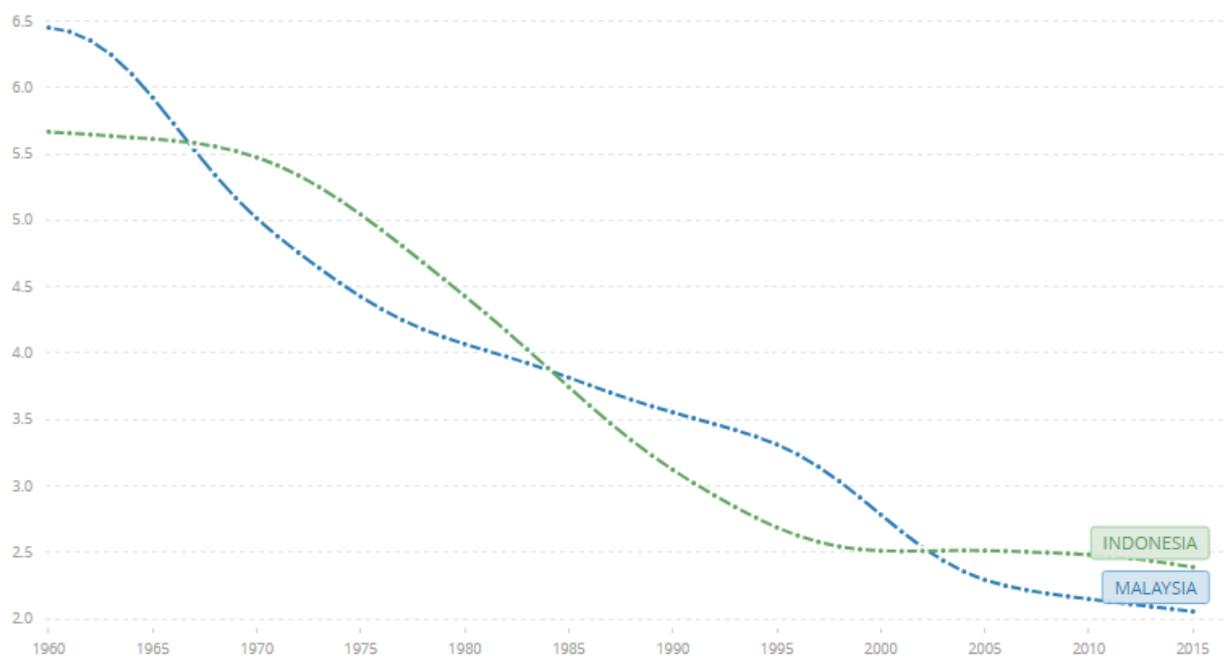


Figure 9: Birth Rates per Woman in Indonesia and Malaysia, Source: World Bank Development Indicators

The consequences of an ageing population will surely become a major policy concern for Indonesia and Malaysia in the years to come. Both countries can hereby refer to the experiences which the European countries and their governments already made. All efforts to raise the very low fertility rates by tax and other incentives failed in the EU countries so that in the end the high percentage of elderly people had to be accepted and dealt with. One consequence was the raising importance of pension systems as policy issue, whereas the management of migration to counterbalance the unfavorable balance between working (tax-paying) population and non-working (tax-receiving) elderly population has become another debate.

Population ageing in lower middle-income countries such as Indonesia brings potentially more challenges as in the upper-middle income economy of Malaysia. In both countries nevertheless two important national development goals will get into conflict: How to sustain robust economic growth while at the same time provide welfare to the growing number of old people?

Achieving these two goals simultaneously “will require new policies, most importantly policies that encourage saving, and investment in health and education to improve productivity” (Kohler/Behrman 2017: 11). The problem for emerging economies such as Indonesia – which have not yet reached a middle income country status and where poverty is still widespread – could be that economic growth stalls before they transition into high-income status. Getting

old before getting rich is one the biggest medium-term structural challenges for developing countries in Asia and other parts of the world. The main reason why middle-income countries are concerned about this is that it might inhibit their ability to join the group of high-income developed countries (Yen Nee Lee 2017).

Compared with other countries in Asia and the rest of the world, Malaysia and Indonesia will still have relatively young populations in 2040. Therefore Deloitte Malaysia risk advisory leader Cheryl Khor stated that “compared to a number of nations, the impact of ageing on Malaysia’s economic growth is relatively gentle and will not really be felt until the 2050s. Our economy will avoid many of the more challenging downsides of population ageing for some time yet, although those challenges will eventually arrive here too” (Quoted in: Dhesi 2017).

The Malaysian Employers Federation (MEF) commented that a smaller manpower pool might not be the biggest problem in a country with an ageing population because industries would opt for increased automation. “The types of jobs needed in the future won’t be labour intensive,” said MEF executive director Shamsuddin Bardan (Quoted in: Augustin 2017).

One of the socio-political challenges which, however, most probably will affect both countries is the financial aspect of ageing. If the Indonesian and Malaysian population continue to age, the proportion of elderly dependents, who are older than 65 years will increase. Accordingly, the two governments will have to address this challenge through their fiscal policy, including the provision of spending on health care. Both national governments need to be proactive in anticipating the elderly population. However, finance pressures and human capital challenges (Sumra 2016) will most probably emerge.

Both countries so far have not yet sufficient welfare state capacities in terms of pensions. Indonesia so far has not yet developed a general pension system for old people. Except for public servants including the staff of police and army, who receive a modest state pension, the care for old people is generally regarded as a family affair. In recent years, however, the government started the first steps of a welfare state program including a mandatory universal pension program for all citizens. The Social Security Administration Body for Employment (*BPJS Ketenagakerjaan*) is responsible for dealing with the policy implementation of this ambitious government program. It is yet difficult to predict whether BPJS will be successful or not.

Malaysia has a pension scheme called EPF (Employee Provident Fund). The fund is managed by the national Ministry of Finance and both employers (12% of payroll) and employees (11% of payroll) must contribute to the fund. At the age of 60, any person paying into that fund will get a monthly pension after retirement. However, this amount is seen as very low. There are already proposals to raise the pension age from 60 to 65. According to Tunku Alizakri Raja Muhammad Alias, deputy chief executive officer of EPF, Malaysia will be missing out if the country does not increase the age of retirement from 60 to 65 years, as, according to him, many elderly people can still work and offer their skills in the labour market. He proposed that elderly people can be put into industries such as consultancy, childcare and coaching (Nori 2017).

Two other aspects of population change will influence both countries quite significantly. One is rapid urbanisation. In both countries the population changed from a rather rural one to a very urbanized one within only 50 years. The growing urbanisation raises new challenges for political decision-makers. Currently, Malaysian and even more Indonesian cities are already plagued with problems such as air pollution, smog, noise, limited space and lack of infrastructure. A substantial urban population rise, especially among the urban poor, will compound these problems.

Another important issue is that there are regional diversities in terms of demography in both countries. Generally, the more rural and less developed parts of both countries (in Indonesia particularly the Eastern islands or Kelantan/Terengganu in Malaysia) have a significantly higher birth rate than the more developed urban areas (such as Java). Mass internal migration into urban areas or rising contradictions between centre and periphery might occur.

Migration from other countries will also affect the population policies in both countries. Malaysia will continue to see an influx of (mostly relatively unskilled) labour migrants from many South and Southeast Asian countries including Indonesia. Many of them have the target to live permanently there and/or become Malaysian citizens as the socio-economic situation is regarded as more favourable than that of their country of origin. Indonesia, in contrast, will have a continued outflow of (mostly relatively unskilled) labour to its neighbour countries and the Middle East.

It is not yet well researched to what extent all these demographic changes will affect the cornerstones of political order and regime stability in both societies. Indonesia's fragile democracy, which is the second largest in the world after India, will probably deal better with the demographic challenges in political terms than Malaysia. The more pluralistic national political landscape and the high degree of local autonomy in a highly decentralized political system are more prone to adapt to societal pressures than the more centralized power structures in the neighbour country.

In Malaysia, which is a semi-democracy or a half-authoritarian political system, the demographic changes will bring probably some regime instability as politics is dominated by race-based political parties. The economically influential ethnic group of Chinese Malaysians will lose further political influence due to a shrinking percentage of the Malaysian population. This can lead to frictions and conflicts between the different ethnic groups.

Since elections are taking place in both countries, the population strength of certain societal groups matters. Since there are no statistical information available of the voting patterns of people older than 65 years, it is very hard to predict what will be the electoral effects of the ageing process of both populations. In both countries rural Islamic people have the highest birth rates. Consequently it is plausible that this group of the population will gain some more political influence in both countries in the near future.

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