

ABSTRACT

Indonesia is experiencing relatively rapid population ageing, while the coverage of the formal pension system remains limited. This condition has resulted in some older adults continuing to rely on income from employment, while financial transfers from children constitute an important source of informal economic support that may influence their labor supply decisions. This study examines the effect of financial transfers from children on the labor supply of older adults in Indonesia through two dimensions: the decision to work and work intensity, measured by weekly working hours. The study uses cross-sectional data from the 2023 Indonesia Longitudinal Aging Survey (ILAS), covering 1,728 older adults aged 60 years and above. The decision to work is estimated using a Linear Probability Model (LPM) and a Probit model with Average Marginal Effects (AME), while work intensity is estimated using Ordinary Least Squares (OLS) for a sample of 902 working older adults. The results show that financial transfers from children have a negative but statistically insignificant association with both the probability of working and weekly working hours among older adults. The decision to work is significantly associated with wage, squared wage, asset income, age, place of residence, marital status, education, and Activities of Daily Living (ADL). Meanwhile, work intensity is significantly associated with wage, squared wage, asset income, age, place of residence, marital status, and education. These findings highlight the importance of strengthening formal social protection systems for older adults in Indonesia.

Keywords: *aging population, elderly labor supply, financial transfer, income effect, ILAS 2023*