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Does Parental Wealth Foster Youth Inactivity? An Empirical Analysis of the NEET Phenomenon in Indonesia

Padang Wicaksono*

Universitas Indonesia, Depok, Indonesia, Email: padangwicaksono@gmail.com

Redi Sunarta

Universitas Indonesia, Depok, Indonesia, Email: redi.sunarta@gmail.com

Yulial Hikmah

Universitas Indonesia, Depok, Indonesia, Email: yulialhikmah47@ui.ac.id

While Indonesia is poised to benefit from a demographic dividend, the high percentage of youth who are not in education, employment, or training (NEET) at 23.2% poses a significant threat to human capital accumulation in the long-term. This study investigates the relationships among household wealth, reservation wages, and the probability of youth becoming NEET with data from the Indonesia Family Life Survey (IFLS). We specifically examine the "laziness" hypothesis; that is, whether increased parental wealth disincentivizes productive activity. Our empirical results find no robust evidence that family wealth directly increases the propensity for voluntary inactivity. Instead, we find that youth from wealthier households often utilize their financial "safety net" to pursue higher education or wait for higher-quality employment. Furthermore, gender remains a critical determinant as married women disproportionately fall into the NEET category due to domestic responsibilities. These findings suggest that policy interventions, such as the Kartu Prakerja program, should be refined through the integration of longitudinal datasets like the IFLS to facilitate accurate, data-driven evaluations of distinct NEET subgroups. Such integration is vital for addressing labor market mismatches and gender-based barriers, thus ensuring that policies transition from addressing income-based inactivity toward targeted human capital development.

Keywords

NEET, Children, Logistic regression

* Corresponding Author.

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1. Introduction

Indonesia is currently navigating a pivotal transition in its demographic landscape. The age structure of the nation is increasingly dominated by the productive-age population, a shift that carries profound implications for long-term economic growth and social welfare (Bloom et al., 2003). However, a declining dependency ratio does not inherently guarantee economic prosperity; rather, this "demographic window" could transform into an economic catastrophe if the labor market fails to absorb the burgeoning labor supply. While the general unemployment rate in Indonesia remains relatively low and continues to decline, the youth unemployment rate is alarmingly high at 16.4%—a figure that significantly exceeds the average for various income-group peers.

Other indicators reinforce this concern. The proportion of young people classified as not in education, employment, or training (NEET) in Indonesia is among the highest in the Asian region at 23.2%, trailing only Palestine, Pakistan, and India. The fact that the NEET rate surpasses the youth unemployment rate suggests several underlying structural issues. First, a substantial number of youth may lack access to requisite education or training pathways (International Labour Organization, 2013). Second, some individuals may become "discouraged workers" by withdrawing from the search because available jobs fail to meet their reservation wages. Furthermore, a rise in non-labor income may incentivize individuals to reduce work hours or exit the labor market entirely (Borjas, 2010), while significant household wealth can act as a barrier to initial labor market entry (Schuetze, 2006).

Consequently, NEET characteristics are highly heterogeneous, which require nuanced policy interventions rather than a one-size-fits-all approach. If neglected, the NEET phenomenon will systematically erode youth potential. The resulting accumulation of social losses may jeopardize the opportunity for Indonesia to escape the "middle-income trap"; that is, the critical challenge of attaining high-income status before the onset of population aging (Quintano et al., 2018). From an individual perspective, being classified as NEET often leaves a "scarring effect" that leads to lower future wages or permanent unemployment (Noh and Lee, 2017; Quarina, 2017; Samoilenko and Carter, 2015).

To the best of our knowledge, this study is the first to explicitly link the decision of youths to become NEET with their reservation wage in the context of increasing parental or family wealth. Although the existing literature has identified family characteristics as significant determinants of NEET status (e.g., Abayasekara and Gunasekara (2019); Bynner and Parsons (2002); Cabral (2018); Ciccarelli and Fabrizi (2017); Kovrova et al. (2013)), most studies merely treat these factors as control variables that are often simplified into income or expenditure quartiles without providing more in-depth mechanistical

explanations. Furthermore, there is a dearth of research that utilizes longitudinal data in developing countries, despite that these nations have the highest NEET burdens.

This research focuses on the potential "wealth effect" that stems from the rapid economic growth of Indonesia, with a sixfold increase in income over the last four decades. In the context of youth, an increase in non-labor income is predominantly driven by parental wealth, motivated by either altruism or expectations of higher future returns (Edwards and Wenger, 2019). Therefore, the primary objective of this study is to analyze the impact of parental wealth on the probability of a child being classified as NEET during youth. While the term NEET is traditionally associated with the most vulnerable and disadvantaged, this study explores the phenomenon among more privileged youth who may voluntarily choose inactivity.

2. Literature Review

2.1 Concept of Not in Education, Employment, or Training

The NEET concept emerged in the United Kingdom (UK) during the late 1980s following regulatory shifts that excluded individuals under 18 from national unemployment statistics (Maguire and Thompson, 2007). Consequently, this cohort lost eligibility for unemployment benefits, which reflects a modern labor market characterized by intensifying pressure to either pursue training, return to formal education, or accept precarious employment (Bynner and Parsons, 2002). Historically, individuals who did not fit into traditional labor market categories faced increasing social stigmatization. To mitigate this negative labeling, the term "NEET" was formally adopted in the Bridging the Gap: New Opportunities for 16-18 Year Olds Not in Education, Employment or Training report (Social Exclusion Unit, 1999) by the UK Social Exclusion Unit. As the term gained traction, similar definitions were adopted globally, particularly in developed nations, which has led to an exponential increase in NEET-related research.

The NEET indicator serves as a broader alternative to conventional youth unemployment definitions. Its primary advantage lies in its capacity to capture the entire spectrum of young people who, for various reasons, are neither employed nor accumulating human capital through formal education or on-the-job experience (Assaad and Levison, 2013; Eurofound, 2016; Furlong, 2005). Quintini and Martin (2014) argue that the NEET rate reflects the reality of emerging economies more accurately than standard labor market measures. Conventional unemployment rates can be misleading, particularly when large numbers of young people become "discouraged workers" and transition into economic inactivity (Quarina, 2017). Since unemployment rates are calculated by dividing the number of unemployed individuals by the economically active

population, an increase in school enrollment can paradoxically increase the unemployment rate by shrinking the denominator (the labor force). Furthermore, while youth unemployment figures may include students who are actively seeking work, the NEET rate strictly excludes any individual currently engaged in employment, education, or training; see Table 1.

Table 1 Youth Employment and NEET Framework

Labor Force Status	Time Use	Employment Status	Work Status	Formality
In Labor Force	Full-time worker	Wage employed	Employed	Formal / Informal
		Self-employed	Employed	Informal
		Unpaid family worker	Employed	Informal
	Part-time worker	Voluntary part-time	Employed	-
		Involuntary underemployed	Employed	-
	Job Seeker	Unemployed	NEET	-
Out of Labor Force	Inactive or housework	Discouraged	NEET	-
		Inactive	NEET	-
	In education/training	Student	Student	-

Source: Adapted from African Development Bank et al. (2012)

Despite its conceptual success, Elder (2015) cautions against misinterpreting the term as a mere shorthand for the most vulnerable or socially excluded populations. In reality, the indicator also encompasses more privileged youth who voluntarily choose NEET status, perhaps while awaiting opportunities for alternative career paths. Furlong (2006) further notes that the lack of a definition with universal consensus often complicates international comparisons.

The fundamental challenge of the NEET indicator is its inherent heterogeneity; the subgroups within this category have vastly different characteristics, experiences, and needs (Furlong, 2006; Yates and Payne, 2006). NEET status also fluctuates over time, dictated by academic calendars and business cycles. Moreover, it may overlook "churning" youth; those who are moving between low-paid, short-term jobs and low-level tertiary education and may not be at significant risk of long-term exclusion (McGirr, 2019). To address this, the extant literature suggests disaggregating the population into more specific cohorts, such as "vulnerable vs. non-vulnerable" (Mascherini and Ledermaier, 2016) or distinguishing between "re-entrants", "caregivers", and "discouraged workers" (EU-LFS, 2016; Salvà-Mut et al., 2018). Therefore, understanding the specific characteristics of a national NEET population is a prerequisite for

formulating generalizable conclusions and targeted policy interventions. If the population is indeed heterogeneous, a one-size-fits-all approach is insufficient; instead, diverse apprenticeship and support programs tailored to the unique needs of each subgroup are required.

2.2 Labor-Leisure Choice Framework and Work Decision

The neoclassical model of labor-leisure choice is the standard economic framework for analyzing static labor supply behavior. This model assumes that individuals aim to maximize their utility (\$U\$), derived from the consumption of goods (\$C\$) and leisure (\$L\$), subject to a budget constraint. To afford a higher level of consumption, individuals must allocate time to market work, thereby sacrificing valuable leisure time. Conversely, choosing not to work allows for maximum leisure consumption, albeit at the cost of lower commodity consumption (Borjas, 2010). The demand for goods and leisure is ultimately determined by the opportunity cost of leisure (the market wage), level of welfare, and subjective preferences (Ehrenberg and Smith, 2012). Thus, the decision to enter the labor market depends on the "terms of trade"; that is, the rate at which leisure can be exchanged for additional consumption.

Mathematically, the individual seeks to maximize:

$$U = f(C, L)$$

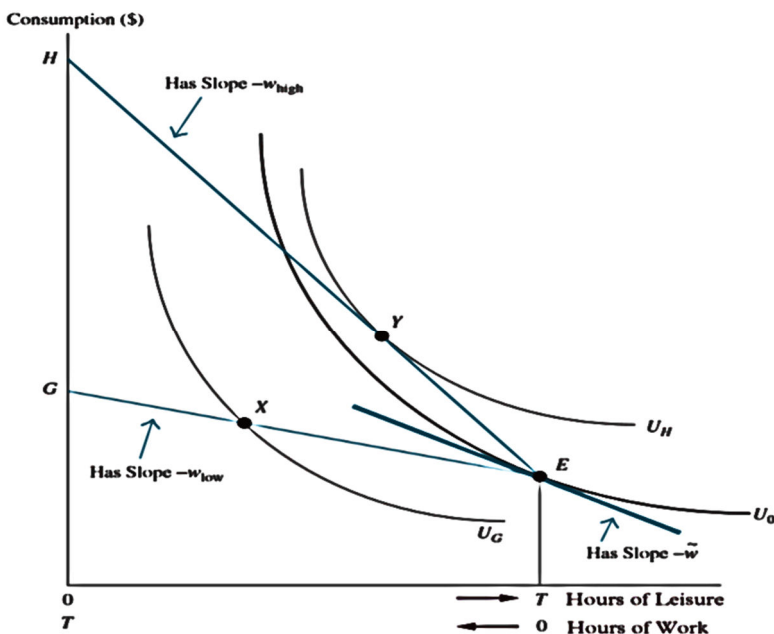
Subject to the budget constraint:

$$C = w(T - L) + V$$

where w is the market wage rate, T is the total time available, and V is non-labor income (such as dividends, interest, or parental financial assistance). The optimal allocation occurs where the marginal rate of substitution between leisure and consumption equals the real wage:

$$w^* = \left(\frac{\partial f}{\partial L} \right) / \left(\frac{\partial f}{\partial C} \right)$$

The decision to participate in the labor force is illustrated by the relationship between the budget line and indifference curves of the individual (Figure 1). Suppose his/her preferences are represented by the indifference curve U_0 . If they are offered a low market wage (w_{low}), the resulting budget line (GE) may not touch any point that yields a higher utility than U_0 at zero hours of work. In this scenario, the individual maximizes utility by remaining at the "endowment point" (E) and not entering the labor market. Conversely, if the offered wage is sufficiently high (w_{high}), the individual faces a steeper budget line (HE), which allows him/her to attain a higher indifference curve by entering the workforce.

Figure 1 Reservation Wage and Labor Supply Decision

Source: Adapted from Borjas (2010)

The critical threshold in this decision-making process is the **reservation wage** ($\tilde{w}$), which is defined as the wage rate at which an individual is indifferent between working and remaining inactive. It is formally expressed as the marginal rate of substitution at the point where all time is allocated to leisure ($L=T$ and $C=V$):

$$\tilde{w} = \frac{\frac{\partial f(V, T)}{\partial L}}{\frac{\partial f(V, T)}{\partial C}}$$

The reservation wage is highly sensitive to "taste" for work and non-labor income. Under the standard assumption that leisure is a **normal good**, an increase in non-labor income (V), such as financial support from wealthy parents, will necessarily increase the reservation wage. This occurs because as wealth increases, individuals desire to consume more leisure while the opportunity cost of leisure remains constant (assuming that the market wage is unchanged).

Graphically, an increase in V shifts the budget line vertically upward. Since the indifference curves typically become steeper as one moves to higher levels of wealth (holding leisure hours constant), the "pure income effect" of increased parental wealth will raise the reservation wage. Consequently, *ceteris paribus*,

an increase in family wealth can never incentivize a non-participant to enter the labor market; rather, it is more likely to encourage voluntary inactivity or a prolonged job search for a position that meets the higher reservation wage.

2.3 Schooling Investment Decision

The human capital model of schooling begins with the assumption that individuals acquire the level of education that maximizes the present value of their lifetime earnings. In this framework, higher education is valued primarily for its capacity to enhance future productivity and, consequently, market wages. However, the decision to pursue further education involves a trade-off between immediate costs and future returns. An individual must weigh the total cost of education, which comprises the opportunity cost of forgone earnings ($PVIC_{COL}$) and direct out-of-pocket expenses (PVC_{COL}) during the schooling period c , against the anticipated increase in the real earning rate ($w_N > w_S$). Assuming that human capital does not depreciate over time, real earnings for a given education level are treated as constant.

An individual will choose to attend college if the present value of lifetime earnings from a college degree exceeds that of earnings associated with a high school diploma. Consequently, to attract highly educated workers, employers must offer wages that are at least equal to the total investment costs of a worker. If the returns from a college education are lower than those of a high school one, the incentive for human capital accumulation would vanish.

The mathematical representation of this decision is as follows:

1. Present Value of Indirect Costs (Opportunity Cost):

$$PVIC = w_S + \frac{w_S}{(1+r)} + \frac{w_S}{(1+r)^2} + \cdots + \frac{w_S}{(1+r)^c}$$

2. Present Value of Direct Costs:

$$PVC = H + \frac{H}{(1+r)^1} + \frac{H}{(1+r)^2} + \cdots + \frac{H}{(1+r)^c}$$

3. Present Value of Benefits:

$$PVB = \frac{w_N}{(1+r)^{c+1}} + \frac{w_N}{(1+r)^{c+2}} + \cdots + \frac{w_N}{(1+r)^{c+n}}$$

4. Investment Criterion:

The individual invests in an education only if:

$$PVB > PVIC + PVC$$

In summary, an individual will cease schooling when the marginal rate of return for an education falls below his/her subjective discount rate (r). This discount rate is influenced by various factors, including time preferences, inflation, and

prevailing interest rates. Individuals with "present-oriented" preferences exhibit high discount rates, thus making them less likely to invest in long-term schooling.

Critically, the empirical evidence suggests that time preferences are inversely related to wealth; as individuals or families become wealthier, their discount rates tend to decrease (Carvalho, 2010; Lawrance, 1991). This implies that individuals from lower-income households face higher discount rates, primarily because they must engage in income-generating activities immediately to ensure survival or alleviate the financial burden of the family. For many youth in impoverished households, immediate employment is the only viable option. Therefore, *ceteris paribus*, wealthier individuals are more likely to pursue higher or more prolonged education than their poorer counterparts. This theoretical link provides a vital explanation for why some youth in wealthy households may appear in the NEET statistics; not necessarily due to a lack of productivity, but as a strategic choice to maximize future human capital.

2.4 Empirical Review

The extant empirical literature identifies several individual characteristics associated with a higher probability of NEET status, including low educational attainment, early school withdrawal, gender (specifically being female), poor health, and early marriage and childbirth (Coles et al., 2002; Eurofound, 2012; Carcillo et al., 2015; Mirza-Davies, 2015; Cornaglia et al., 2012; Baggio et al., 2015; Kelly and McGuinness, 2013). Parallel to these individual factors, Carneiro and Heckman (2003) argue that the dynamic process of human capital accumulation is deeply rooted in family background, beginning long before formal schooling. Consequently, NEET status may stem from initial inequalities in opportunities for families to invest in the human capital of their children; investments that ultimately determine academic achievement and success in the transition from school to work. Given this endogeneity, family-related characteristics serve as dominant contributors to the probability of becoming NEET.

Household composition and parental employment conditions also play a critical role. For instance, Abayasekara and Gunasekara (2019) find that in Sri Lanka, having at least one child under the age of five increases the likelihood of falling into NEET status by 4%, which suggests that inactivity may be driven by household care needs. Furthermore, youth in male-headed households face a 3% higher risk of NEET status. In contrast, Cabral (2018) finds that for females in Senegal, the risk of being NEET decreases when the household is female-headed, although this factor is insignificant for males. Additionally, parental employment status during adolescence is crucial; two-parent households where both parents are employed exhibit the lowest probability of youth NEET status across Europe (Berloff et al., 2015).

As for the primary variable of interest in this study, household income is a pivotal determinant. Families are often a private welfare system for youth, especially in contexts where public subsidies are limited (Ciccarelli and Fabrizi, 2017). Traditionally, many studies find that higher household income reduces the risk of NEET status, as wealthier individuals often benefit from better preparation processes for schooling and more organized job-search training (Noh and Lee, 2017).

However, a counter-narrative exists. Genda (2007) finds evidence of an "income effect", where youths from wealthy families are more likely to be "non-job seekers"—those who neither work nor express a desire to do so. This aligns with the classic labor supply theory, which predicts that wealthier individuals have higher reservation wages, which then discourages labor market entry or incentivizes exit. Consequently, jobless youth in high-income households may rely on parental support, which would allow them to be more selective and engage in longer search durations. Bloemen and Stancanelli (2001) find that this impact is particularly pronounced for spouses and non-working household members. Interestingly, Genda (2007) also notes that this positive correlation between income and non-job seeking has diminished recently, as youths from lower-income families increasingly lose interest in the labor market, potentially becoming NEET due to structural barriers.

In the Indonesian context, research on the NEET phenomenon remains scarce, particularly as the Central Bureau of Statistics (BPS) only formally adopted the NEET indicator in 2015. Kovrova et al. (2013) are among the first to explicitly analyze NEET dynamics in Indonesia. Using data from Sakernas (Survei Angkatan Kerja Nasional or the National Labor Force Survey from 2000–2010), they find that while the probability of being absent from education and the labor force decreases across birth cohorts, this trend is insignificant for females. Their findings suggest that NEET status in Indonesia is largely determined by general labor market conditions rather than youth-specific barriers.

More recently, Pattinasarany (2019) utilizes Susenas 2015 microdata to show that household welfare is negatively associated with NEET status in general; youth from the richest quintile are 9% less likely to be NEET than those from the poorest quintile. Gaffari and Handayani (2019) find similar results with the use of Indonesian Family Life Survey (IFLS)-5 data. However, when the data are disaggregated, the marginal effect of welfare on the probability of becoming a "discouraged worker" becomes positive, albeit insignificant. Notably, up to 21% of youth from the wealthiest quintile in Indonesia do not participate in human capital accumulation activities. This "privileged inactivity" warrants special attention, as parents across socioeconomic strata, especially the wealthy, frequently provide significant financial assistance, which can range from housing to direct cash transfers, to their adult children (Wiemers, 2014; Kaplan, 2012; Edwards, 2017; Schoeni and Ross, 2005).

3. Methodology

3.1 Data and Empirical Strategy

This study utilizes the IFLS, a comprehensive longitudinal household dataset based on a survey conducted through a collaboration between the RAND Corporation and several Indonesian research institutions. The IFLS baseline (Wave 1, 1993) covered 13 provinces, which represents approximately 83% of the Indonesian population. A primary advantage of the IFLS is its exceptionally low attrition rate, which is often cited as superior to similar longitudinal surveys in other developing nations, thus ensuring the consistency of individual and household tracking over decades (Frankenberg and Thomas, 2000).

The selection of IFLS over annual cross-sectional surveys, such as Susenas or Sakernas, is motivated by the need to capture intergenerational dynamics. The longitudinal nature of the data allows for an empirical evaluation of parental assistance patterns and their potential impacts on the labor market outcomes of children within the same family units (Swartz et al., 2017). While the IFLS consists of five waves, this analysis focuses on the last three: Waves 3 (2000), 4 (2007), and 5 (2014). This timeframe is selected because comprehensive questions regarding vocational training were only standardized starting in Wave 4. Furthermore, this period was relatively stable regarding macroeconomic shocks, thereby providing a consistent interval for evaluating household economic transitions.

3.2 Addressing Endogeneity and Model Robustness

While this study identifies significant correlations, we acknowledge the potential for endogeneity between household wealth and NEET status. Specifically, a reverse causality issue may arise: individuals in non-NEET groups (those employed) likely contribute to the accumulation of household wealth, thus potentially biasing the estimated effect of wealth on inactivity.

To mitigate these concerns, we employ a robust set of control variables, including parental education, household head characteristics, and regional fixed effects to account for unobserved geographic heterogeneity. Furthermore, by utilizing the longitudinal structure of the IFLS, we observe household wealth in the preceding period to better isolate its impact on the subsequent NEET status. However, given the inherent difficulty in identifying valid external instrumental variables within the available survey waves for this specific cohort, we interpret our findings as robust associations rather than definitive causal effects. This cautious interpretation aligns with established econometric practices when dealing with complex intergenerational survey data.

4. Research Framework

The classic labor supply theory posits that as the wealth of an individual increases, their reservation wage also rises accordingly. This theoretical prediction has been validated by a number of empirical studies (e.g., Bloemen and Stancanelli (2001), Gladden and Alexopoulos (2004)), which shows that household wealth significantly influences job acceptance decisions. Specifically, an accumulation of assets may discourage labor market entry or increase the probability of labor market exit, as individuals become more selective. This increased selectivity allows individuals to remain in voluntary unemployment until they find a position that aligns with their specific preferences.

Furthermore, the economic theory suggests that time preferences typically decrease as individuals become wealthier, while the relative cost of education effectively diminishes. By synthesizing these two perspectives, it can be argued that youth from wealthier families face a higher probability of pursuing advanced education rather than entering the labor market. In the aggregate, this would typically lead to a decrease in the overall NEET rate as youths transition into "student" status. However, this study acknowledges exceptions where wealth does not necessarily alter time preference or motivation for human capital accumulation.

In summary, by synthesizing the relevant theories and empirical evidence, this study adopts a narrative conceptual framework that accounts for the multifaceted nature of the NEET phenomenon. We argue that the relationship between household wealth and NEET status is inherently ambiguous, primarily due to the significant heterogeneity within the NEET population. Rather than a linear correlation, this study explores the nuanced dynamics of this relationship. Our core hypothesis is twofold: while an increase in family wealth generally serves as a protective factor that reduces the aggregate NEET rate (by facilitating education), it may conversely facilitate a higher incidence of "voluntary" NEET status among individuals with strong present-oriented preferences. These individuals may leverage family resources to substitute labor for leisure or finance extended, highly selective job searches.

5. Findings and Discussion

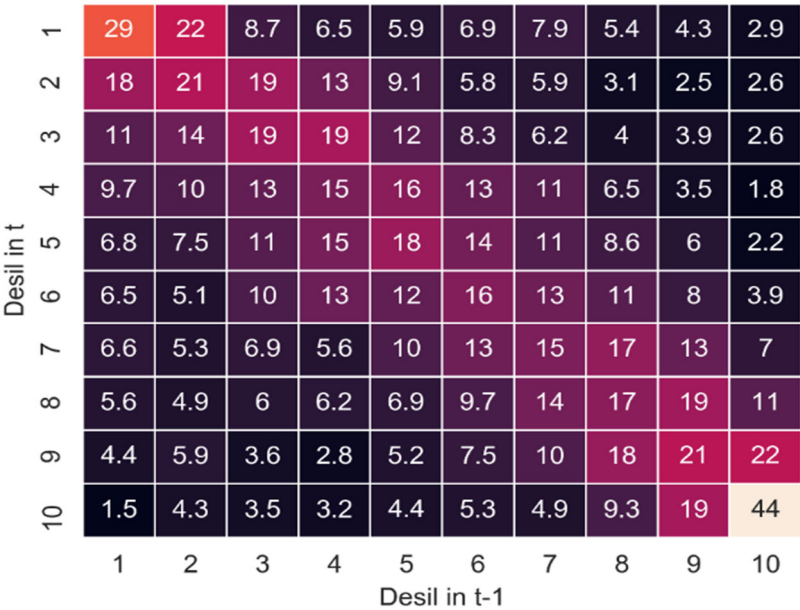
5.1 Wealth Dynamics and Relative Mobility Patterns

The analysis begins by examining changes in household wealth in both absolute and relative terms. Over the observed seven-year period, approximately three-quarters of the sample experienced an absolute increase in wealth, measured by both expenditure per capita and household assets. However, absolute growth does not always translate into upward social mobility. One-quarter of the

individuals remained in the same decile, while 17% of those in the highest decile exhibited "top-heavy" persistence. Conversely, 20% of individuals who saw absolute wealth gains actually experienced downward vertical mobility. Their relative position declined because their wealth grew at a slower rate than the population average.

Figure 2 shows the relative mobility patterns via a heat map of asset deciles. The diagonal density indicates that most of the mobility is incremental, typically shifting only one or two deciles. However, the middle-class segment shows higher volatility compared to the extreme deciles. Notably, we observe "low-probability leaps": 1.5% of the individuals moved from the 1st to the 10th decile, while 2.9% fell from the 10th to the 1st. The high persistence at the top (44% remaining in the 10th decile) suggests that wealth mobility may exacerbate inequality, as reflected in the Gini index of Indonesia, which increased from 0.29 to 0.40 during this period of time.

Figure 2 Relative Mobility Pattern for Each Decile by Household Asset



Source: Calculation by authors from IFLS.

5.2 Wealth Transitions and NEET Status

A critical finding is that individuals who are experiencing a decrease in relative wealth exhibit significantly higher NEET rates. Specifically, the Employed and Housekeeper groups saw the sharpest declines in expenditure per capita (31.6% and 32.4%, respectively). This suggests a "middle-class squeeze", where households fail to maintain their relative economic standing, which leads to a mean expenditure for the Employed group that is paradoxically lower than that of the Education or even the Unemployed group.

The data supports a "catch-up effect" in absolute terms, where the lowest deciles show higher percentage growth (152%) compared to the top decile (30%) (shown in Table 2). However, following Engel's Law, this growth in the lower deciles is largely absorbed by food consumption, thus leaving relative wealth positions largely unchanged.

Table 2 Median Change in Wealth by Initial Decile

Proxy	Expenditure Growth (%)	Asset Growth (%)
Decile 1 (Bottom)	152.47%	6.53%
Decile 5 (Middle)	89.09%	0.27%
Decile 10 (Top)	30.33%	0.47%

Source: Calculations of authors from IFLS.

5.3 Exploring the 'Others' Group and Employment Quality

This study defines the Others group as individuals who are not in the labor force temporarily due to illness, short-term transition periods, or personal travel. Interestingly, 27.7% of the upwardly mobile individuals in this group are from the bottom two deciles.

Furthermore, we identify a clear divergence in employment quality based on household wealth. Youth from high-wealth households who are not in the NEET category are predominantly engaged in white-collar professional roles. In contrast, youth from lower-income backgrounds are concentrated in the blue-collar or informal sectors, thereby highlighting that wealth not only influences the *decision* to work but also the *quality* of the work obtained.

5.4 Determinants of NEET Status: Inferential Results

The multivariate logistic regression results are presented in Table 3 (for the expenditure model) and Table 4 (for the asset model). As shown in Table 3, individual characteristics remain the primary determinants. Age, gender, and education level are the most significant predictors. The probability of school

attendance decreases with age, thus marking the school-to-work transition. However, for women, age is correlated with an increased likelihood of becoming inactive, specifically as housewives.

Table 3 Average Marginal Effect of First Base Model (Expenditure per capita)

Variable	Non-NEET		NEET		
	Employed	School	Unemployed	Housewife	Other
	(1)	(2)	(3)	(4)	(5)
Change of Expenditure (in mill.)	-0.013* (0.007)	0.017*** (0.006)	-0.005* (0.003)	-0.002 (0.005)	0.0036 (0.004)
Age	0.079*** (0.002)	-0.104*** (0.002)	0.007*** (0.001)	0.011*** (0.001)	0.008*** (0.001)
Sex	0.056*** (0.012)	0.051*** (0.008)	0.015*** (0.004)	-0.151*** (0.011)	0.029*** (0.005)
Marital status	-0.125*** (0.022)	0.340*** (0.027)	0.025*** (0.005)	-0.264*** (0.018)	0.024** (0.009)
Years of schooling	-0.035*** (0.002)	0.054*** (0.002)	-0.001 (0.001)	-0.012*** (0.001)	-0.006*** (0.001)
Tobacco habit	0.097*** (0.015)	-0.138*** (0.012)	0.011** (0.005)	0.021 (0.017)	0.009 (0.006)
Local LFPR	0.276*** (0.055)	0.117** (0.049)	-0.105*** (0.027)	-0.180*** (0.037)	-0.108*** (0.03)
Urban	0.008 (0.008)	0.002 (0.008)	0.011*** (0.004)	-0.019*** (0.006)	-0.003 (0.004)
Attended kindergarten	-0.034*** (0.009)	0.057*** (0.008)	-0.005 (0.004)	-0.014*** (0.006)	-0.003 (0.005)
Household size	0.102*** (0.004)	-0.048*** (0.004)	-0.011*** (0.002)	-0.021*** (0.002)	-0.022*** (0.003)
LR Chi2(38)	8497.64				
Pseudo R ²	0.3768				
Accuracy	0.717				
N	9,347				

Notes: dy/dx for factor levels is the discrete change from the base level. Standard errors in parentheses. LFPR denotes labor force participation rate. LR Chi2 denotes likelihood ratio chi-square. *** ** and * denote $p<0.01$, $p<0.05$, and $p<0.1$, respectively. Financial variables are measured in Indonesian Rupiah (IDR). At the time of the survey compilation, the average exchange rate was approximately 1 USD = 13,500 IDR (or adjusted to the IFLS5 wave context) for international interpretation. Tobacco consumption is introduced as an individual-level control variable that proxies for risk preferences, youth lifestyle traits, and household budget crowding-out behavior.

Household Coordination Effect

Gender remains a powerful determinant. Married women in Indonesia are significantly more likely to be NEET, driven by cultural expectations of childcare. In wealthier households, we observe a 'household coordination' effect: wives may opt for NEET status as the higher income of their husband provides a sufficient financial cushion. This reflects a strategic joint household decision rather than individual laziness.

Table 4 Average Marginal Effect of First Base Model (Household Asset)

Variable	Non-NEET		NEET		
	Employed (1)	School (2)	Unemployed (3)	Housewife (4)	Other (5)
Change of HH. Asset (in 100 mill.)	-0.007** (0.007)	0.009*** (0.006)	-0.001 (0.003)	-0.001 (0.005)	0.000 (0.004)
Age	0.079*** (0.002)	-0.104*** (0.002)	0.007*** (0.001)	0.011*** (0.001)	0.008*** (0.001)
Sex	0.056*** (0.012)	0.051*** (0.008)	0.015*** (0.004)	-0.150*** (0.011)	0.029*** (0.005)
Marital status	-0.126*** (0.022)	0.341*** (0.027)	0.025*** (0.005)	-0.264*** (0.018)	0.024*** (0.009)
Years of schooling	-0.035*** (0.002)	0.054*** (0.002)	-0.001 (0.001)	-0.011*** (0.001)	-0.006*** (0.001)
Tobacco habit	0.097*** (0.015)	-0.137*** (0.012)	0.011** (0.005)	0.020 (0.017)	0.009 (0.006)
Local LFPR	0.276*** (0.055)	0.115** (0.049)	-0.107*** (0.027)	-0.179*** (0.037)	-0.106*** (0.03)
Urban	0.009 (0.008)	0.001 (0.008)	0.011*** (0.004)	-0.019*** (0.006)	-0.002 (0.004)
Attended kindergarten	-0.033*** (0.009)	0.056*** (0.008)	-0.005 (0.004)	-0.014** (0.006)	-0.003 (0.005)
Household size	0.103*** (0.004)	-0.049*** (0.004)	-0.011*** (0.002)	-0.021*** (0.002)	-0.022*** (0.003)
LR Chi2(38)	8497.64				
Pseudo R ²	0.3768				
Accuracy	0.7158				
N	9,347				

Notes: dy/dx for factor levels is the discrete change from the base level. Standard errors in parentheses. LFPR denotes labor force participation rate. LR Chi2 denotes likelihood ratio chi-square. ***, ** and * denote $p < 0.01$, $p < 0.05$, and $p < 0.1$, respectively. Financial variables are measured in Indonesian Rupiah (IDR). At the time of the survey compilation, the average exchange rate was approximately 1 USD = 13,500 IDR (or adjusted to the IFLS5 wave context) for international interpretation. Tobacco consumption is introduced as an individual-level control variable that proxies for risk preferences, youth lifestyle traits, and household budget crowding-out behavior.

5.5 Re-evaluating Lazy Hypothesis and Gender Dynamics

Our empirical evidence suggests that the lazy hypothesis; that is, the notion that household wealth inherently diminishes individual motivation, is not supported by the data. Instead of a blanket withdrawal from productive activity, youth from wealthy households appear to utilize their financial safety net to engage in two specific activities: strategic human capital investment and prolonged job searching.

What is often classified as inactivity is frequently a deliberate choice to pursue higher education or wait for high-quality professional roles that align with their elevated reservation wages. By leveraging family resources, these individuals can afford to be more selective by seeking white-collar positions that offer better long-term returns on their educational investment. Thus, the NEET status in affluent households is less a reflection of diminished motivation and more a function of economic privilege that allows for a longer, more optimized school-to-work transition.

Furthermore, the gender dimension within the Indonesian NEET population is striking. Married women are significantly more likely to be categorized as NEET, a finding that reflects the household labor coordination model. In this context, domestic and childcare responsibilities often take precedence over market work, particularly when the income of the husband is sufficient to cover household needs. This suggests that for a large segment of the population, NEET status is not a purely economic choice but is deeply embedded in cultural and domestic constraints. These findings highlight the urgent need for gender-sensitive labor policies that address the specific barriers faced by married women in the workforce.

6. Conclusion and Policy Implications

This study concludes that household wealth in Indonesia does not trigger a general decline in youth productivity thereby refuting the simplistic lazy hypothesis, but rather, shifts the nature and strategic intent of youth inactivity. By synthesizing the classic labor supply theory with the human capital investment model, we show that wealth functions as a critical safety net that allows youth from affluent backgrounds to remain temporarily inactive while pursuing higher education or awaiting high-quality professional roles that match their reservation wages. In contrast, for lower-income households, NEET status remains a reflection of structural barriers and human capital stagnation. To ensure that Indonesia fully capitalizes on its demographic dividend, the government must transition from a one-size-fits-all approach to a segmented intervention strategy. The following policy recommendations are proposed.

The government should leverage longitudinal datasets, such as the IFLS, to refine the targeting and evaluation framework of the Kartu Prakerja program. While the program currently prioritizes immediate employment outcomes, our findings suggest a need for a more granular assessment of long-term labor market transitions. For Low-Income NEETs (Vulnerable Group), the interventions must prioritize intensive vocational training and direct social assistance to reduce the high opportunity costs of education and break the cycle of poverty-driven inactivity. On the other hand, for High-Income NEETs (Privileged Group), the focus should shift toward specialized career counseling and industry-matching services. This aims to reduce the education-job mismatch and shorten the duration of voluntary inactivity, thereby ensuring that affluent youth do not merely substitute family safety nets for public resources.

The striking gender dimension found in this study where marriage and domestic responsibilities significantly increase the likelihood of NEET status among women, highlights a critical area for policy intervention. Reducing the NEET rate requires structural support for women, such as affordable childcare facilities and flexible work arrangements. This would allow households to optimize their labor coordination without forcing women into long-term economic inactivity.

Ultimately, understanding the heterogeneity within the NEET population is essential for sustainable economic growth. By utilizing socio-economic markers such as parental education and wealth dynamics to calibrate policy mechanisms, Indonesia can ensure that its youths, regardless of their background, are actively contributing to human capital accumulation for the country.

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