



## POVERTY ANALYSIS, INEQUALITY, UNEMPLOYMENT AND DEVELOPMENT

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### Abstract:

*This research is entitled Analysis of Poverty, Inequality, Unemployment and Indonesian development. The purpose of this study is to find out about poverty, unemployment, inequality and development in Indonesia and their causes and what has been done by the government to overcome them. The research method used is the library research method, which is the study of literature obtained from the reference of books, scientific papers, government reports in the Central Statistics Agency, the DPR, and websites that are related to the title of this research. Poverty is the inability of people to meet their basic needs such as food, clothing and housing and other equality, unemployment resulting from lack of available employment and business opportunities that do not support it to be implemented, as well as inequality between the rich and the poor, between villages with the city. The result is that the current poverty rate is equal to 9,41% unemployment equals 5,01% inequality 0,382% Development has been carried out with economic growth amounting to and GDB amounting to Rp3 963,5 triliun.*

**Keywords:** Poverty; Unemployment; Inequality; Development.

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## 1. Introduction

### Background

Indonesia's national development aims to create a just and prosperous, material, and spiritual society based on Pancasila, within the framework of a unitary state of the Republic of Indonesia that is independent, sovereign and united, in an atmosphere of peaceful, peaceful, orderly and dynamic national life, and in the living environment of an independent, friendly, orderly and peaceful world. This is also reflected in the opening of the 1945 Constitution which has stated its national development goals. Community welfare is a state that has always been the ideal of all nations in the world. Meanwhile, the essence of Indonesia's national development is the complete development of Indonesian people and the development of all Indonesian people. The rise of development activities and planning has not been fully able to prosper the nation and state. Development in various sectors also has not been able to accommodate and meet the needs of the community. We can see that until now the problems of poverty, unemployment and inequality have not been overcome properly. In fact, the rise of development has increasingly added to the poverty, inequality series in this country. Poverty, unemployment and inequality are

among the serious problems in the national development process in Indonesia. This problem seems not to be resolved seriously, in terms of the government's efforts to introduce various packages and programs involving a number of national and international economic experts. Essentially there is no sustainability in the system of handling poverty, unemployment and inequality both in one regime of power and at the time of regime transition. In addition to development activities there are various poverty alleviation programs, unemployment and inequality that have been pursued by the government, some of them include the Inpres Village Disadvantaged Village (IDT), the People's Welfare Savings Program Business Credit for People's Welfare (Takesra-Kukesra), Critical Impact Prevention Program Economics (PDM-EFD), and the Social Safety Net Program for Health (JPS-BK), then proceed with the revolving fund program of direct cash subsidies / Direct Cash Assistance (SLT / BLT), School Operational Assistance (BOS) and P2KP programs namely poverty alleviation programs in urban areas. From a series of poverty alleviation programs above, it has not been able to fully alleviate poverty, reduce unemployment and narrow the inequalities that afflict the community. From the description above shows that there is a mismatch between the objectives of development with the reality that occurs in the field. The purpose of development to prosper the life of the nation is only discourse. The more widespread development planning and activities have not been able to overcome poverty, unemployment and inequality in Indonesia.

## **2. Theory Study**

### **Poverty**

Understanding Poverty is a condition where a person is unable to fulfill his basic needs such as food, clothing, shelter, education, and proper health.

Quantitatively, poverty is a condition where the standard of living of people is completely lacking or "does not have different assets. While qualitatively, the notion of poverty is an unfit state of human life.

Poverty is closely related to the issue of community welfare and is the minimum level obtained based on the standard of living of people in a country. Poverty has become a global problem, where every country has members of society who are below the poverty line.

### **Understanding of Poverty According to Experts**

#### **Halland Midgley**

According to Hall and Midgley the notion of poverty is a condition of material and social deprivation that causes individuals to live below a decent standard of living, or conditions in which individuals experience relative deprivation compared to their individuals in society.

#### **Suparlan**

According to Suparlan, the meaning of poverty is a low standard of living due to material shortages in a number or classes of people when compared to the prevailing standard of living in the surrounding community.

### **National Development Planning Agency (BAPPENAS)**

According to BAPPENAS, the meaning of poverty is a situation of complete deprivation due to circumstances that cannot be avoided by someone with the power they have

Types of Poverty In general, there are several types of poverty that exist in society. The following are types and examples of poverty:

#### **Subjective Poverty**

This type of poverty occurs because a person has his own rationale by assuming that his needs have not been adequately met, even though the person is not too poor.

For example: seasonal beggars that appear in big cities.

#### **Absolut Poverty**

This type of poverty is a form of poverty where a person / family has an income below the eligibility standard or below the poverty line. His income cannot fulfill food, clothing, housing, education and health needs.

Example of absolute poverty: underprivileged families.

The Copenhagen Declaration describes absolute poverty as "a condition characterized by severe shortages of basic human needs, including food, safe drinking water, sanitation facilities, health, housing, education, and information."

#### **Relative Poverty**

This type of poverty is a form of poverty that occurs because of the influence of development policies that have not yet touched all levels of society. The policy raises income inequality and welfare standards. The World Bank describes "very poor" as people who live on less than \$ 1 per day, and "poor" on less than \$ 2 per day. Some also categorized \$ 1 per day income as the "poor" category and \$ 2 per day income as the "medium poor" category. For example: the amount of unemployment due to the lack of employment.

Poverty that has not been able to reach all levels of society, thus causing inequality in the distribution of income. Minimum standards are set based on the living conditions of a country at a particular time and attention is focused on the "poorest" population groups, for example 20 percent or 40 percent of the lowest layer of the total population sorted by income / expenditure. This group is a relatively poor population. Thus, the size of poverty is relatively very dependent on the distribution of income / expenditure of the population so that by using this definition means "the poor are always present with us".

In practice, rich countries have relatively higher poverty lines than poor countries as Ravallion reported (1998: 26). The paper explains why, for example, the official poverty figure in the early 1990s was close to 15 percent in the United States and also close to 15 percent in Indonesia (a far poorer country).

That is, many of those categorized as poor in the United States will be said to be prosperous by Indonesian standards.

When a country becomes richer (prosperous), it tends to revise its poverty line higher, with the exception of the United States, which is that the poverty line has remained essentially unchanged for almost four decades. For example, the European Union generally defines poor people as those who have per capita income below 50 percent of the median (average) income. As the median / average income increases, the relative poverty line also increases. In terms of identifying and targeting poor people, the poverty line is relatively sufficient to be used, and needs to be adjusted to the level of overall development of the country.

The relative poverty line cannot be

### **Natural Poverty**

This is a poverty that occurs because the natural surroundings are scarce for natural resources. This causes the local community to have low productivity.

For example: people on the African continent whose land is dry and barren.

### **Cultural Poverty**

This is poverty that occurs as a result of habits or attitudes of people with a relaxed culture and do not want to improve their standard of living like modern society. and figures on the definition of poverty, including:

For example: the Bedouin tribe who firmly maintain customs and reject the progress of the times

### **Structural Poverty**

This poverty occurs because the social structure is not able to connect the community with existing resources

For example: Papuans who don't benefit from Freeport.

### **Factors Causing Poverty**

After understanding the notion of poverty and its types, we also need to know what causes it. The following are some of the most common causes of poverty:

#### **Population Growth Rate**

High birth rates will result in a country's population growth rate becoming large. If this growth rate is not proportional to economic growth, then this will result in poverty rates will increase in a country.

#### **High Unemployment Rate**

Limited employment causes unemployment in a country to be high. The more unemployed the poverty rate will also increase. An increase in unemployment can also cause other problems that are troubling the public. For example, the emergence of perpetrators of crime, beggars, and others.

#### **Low Education Level**

People with low levels of education tend to lack sufficient skills, insight, and knowledge. So they cannot compete with highly educated people in the world of work and business. This then makes the unemployment and poverty rate increase.

### **Natural Disasters**

Natural disasters are a cause of poverty that cannot be prevented because they come from nature. Natural disasters such as tsunamis, floods, landslides, etc., will cause damage to infrastructure as well as psychologically.

Major natural disasters can cause people to experience poverty due to loss of assets.

### **Unequal Distribution**

Inequality in the pattern of ownership of resources will cause imbalances in the distribution of income. In general, people who only have limited resources and are of poor quality are below the poverty line.

Impact of Poverty In general, poverty will have a negative impact on society. The following are some of the effects of poverty that often occur:

#### **Criminality Increases**

Poverty is often associated with crime. Not without reason, because the poor tend to do anything to meet the needs of their lives, including committing crime. Some forms of crime are theft, robbery, begging, fraud, and even murder.

#### **High Death Rate**

Communities living below the poverty line generally do not have access to adequate health. This causes high mortality rates in the poor.

In addition, poor nutrition is also a problem that often occurs in poor communities. Poor nutritional intake causes poor health and physical development of the poor.

#### **Access to Education Closed**

The cost of education is quite high resulting in poor communities unable to reach the world of education. This further exacerbates the situation of disadvantaged communities because the lack of education makes them unable to compete and cannot rise from adversity. More and more unemployment.

The poor who do not get access to education will find it difficult to compete in the world of work or business. This will then cause unemployment to increase.

#### **The emergence of Conflicting the Community**

A sense of disappointment and dissatisfaction of the poor is usually acted upon with various anarchist actions. In fact, conflicts of SARA nuances often arise in the community as a way to vent the disappointment of the poor.

#### **Economic Characteristic so Poor Groups**

The combination of low per capita income levels and very uneven distribution of income will result in severe absolute poverty. It is clear that at a certain level of income distribution, the higher the income per capita, the lower the absolute poverty. However, the high level of income per capita does not guarantee a more low level of absolute poverty. But describing absolute poverty in general

is not enough. Before we satisfy effective programs and policies to combat the sources of poverty, we need deeper knowledge about who is included

### Disclaimer

Unemployment or underemployment is a term for people who do not work at all, are looking for work, work less than two days for a week, or someone who is trying to get a decent job. Unemployment is generally caused by the number of labor force or job seekers not being proportional to the number of jobs that are able to absorb it. Unemployment is often a problem in the economy because with unemployment, productivity and people's income will decrease so that it can cause poverty and other social problems. The unemployment rate can be calculated by comparing the number of unemployed people with the number of labor force expressed in percent. The lack of income causes the unemployed to reduce their consumption expenditure, which causes a decrease in the level of prosperity and welfare. Prolonged unemployment can also have adverse psychological effects on the unemployed and their families. Unemployment rates that are too high can also cause political and social security chaos that disrupt economic growth and development. The long-term effect is the decline in GNP and per capita income of a country. In developing countries such as Indonesia, the term "covert unemployment" is known where jobs that could have been done with little labor are done by more people

### Inequality

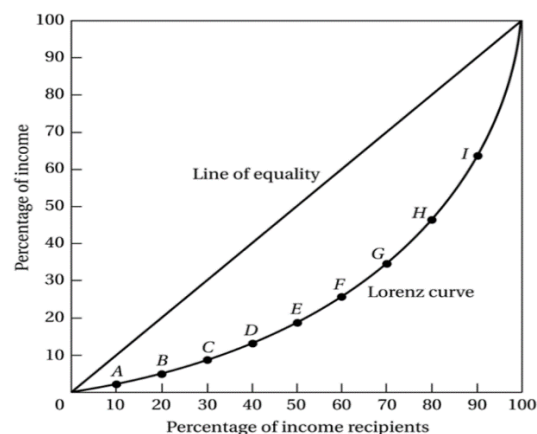
The following will describe several indicators that are often used by researchers to measure inequality in a country or region.

### Size Distributions (Quintiles, Deciles)

This measure directly calculates the amount of income received by each individual or household. How to get income is not a problem. Therefore, economists tend to rank all individuals according to the income they receive, and then divide the total population into groups or sizes. Usually the population is divided into 5 groups or quintiles and 10 groups or deciles.

### Lorenz curves

The Gini index is often displayed together with the Lorenz curve, which illustrates the relationship between the cumulative share of income and population. G is the Gini index derived from the Lorenz curve by dividing the area bounded by a diagonal line and the Lorenz curve by the total area in the lower triangle



Gini coefficients and aggregate measures of inequality. Of all the inequality gauges, the Gini index is the most commonly used indicator of inequality. One of the highlights of the Gini index is its very direct approach to the measurement of inequality, containing the difference between each income pair, which is by far the most popular measure of economic inequality. In fact, the pairs observed were used in calculating the Gini Index to produce the Lorenz Curve. This is done by plotting the (cumulative) share pairs of income and population in a box.

The value of the Gini index ranges from 0 to 1. A value of 0 indicates that all income is evenly distributed among all community units (perfect equality), while a value of 1 means that all income is only owned by one person or one unit in the entire distribution (perfect inequality).

Low inequality has a Gini index value of 0.4 or below. High inequality if it has a Gini index above 0.4 in its distribution.

### **Functional Distributions**

This measure focuses on the part of national income received by each factor of production. The relevance of functional theory is less sharp, because it does not take into account the role and influence of forces outside the market.

### **Development**

Economic development is a process of increasing total income and income per capita by taking into account population growth and accompanied by fundamental changes in the economic structure of a country and income distribution for residents of a country. Economic development cannot be separated from economic growth (economic growth); economic development encourages economic growth, and vice versa, economic growth accelerates the process of economic development. What is meant by economic growth is the process of increasing the production capacity of an economy that is realized in the form of an increase in national income. A country is said to experience economic growth if there is an increase in the real Gross National Product (GNP, GNP) in the country. Their economic growth is an indication of the success of economic development.

The difference between the two is that economic growth has a more quantitative success, namely an increase in the standard of income and the level of output produced, while economic development is more qualitative, not only increases in production, but also changes in the production structure and allocation of inputs to various economic sectors such as in institutions, knowledge, social and engineering

Furthermore, economic development is defined as a process that causes per capita income of the population to increase in the long run. Here there are three important elements related to economic development.

### **Development as a Process**

Development as a process, means that development is a stage that must be undertaken by every community or nation. For example, humans begin to be born, do not immediately become adults, but to become adults must go through stages of growth. Likewise, each nation must undergo stages of development to achieve conditions that are just, prosperous, and prosperous.

### **Development as An Effort to Increase Per Capita Income**

As an effort, development is an active action that must be taken by a country in order to increase income per capita. Thus, the participation of the community, government and all elements in a country is needed to participate actively in the development process. This was done because the increase in per capita income reflected improvements in community welfare.

### **An Increase In Per Capita Income Must Take Place in The Long Term**

An economy can be expressed in a developing state if per capita income in the long run tends to increase. This does not mean that per capita income must experience continuous increases. For example, a country experiences natural disasters or political turmoil, causing the country's economy to decline. However, these conditions are only temporary, the most important thing for the country is that economic activity on average increases from year to year. There are several factors that influence economic growth and development, but in essence these factors can be grouped into two, namely economic factors and non-economic factors. Economic factors that affect economic growth and development include natural resources, human resources, capital resources, and expertise or entrepreneurship.

Natural resources, which include land and natural resources such as soil fertility, climate / weather, forest products, mines, and marine products, Economic growth.

- 1) It is along term increase in per capita product.
  - 2) Not paying attention to in come distribution.
  - 3) Not paying attention to population growth.
  - 4) Not necessarily able to improve people's lives.
  - 5) Economic growth is not necessarily accompanied by economic development<sup>6</sup>. Each input can produce more output Economic Development.
- Is a process of continuous change towards improvement including efforts to improve per capita products
  - Paying attention to equitable distribution of income including equitable development and results.
  - Paying attention population growth.
  - Improve the standard of living of the community.
  - Economic development is always accompanied by economic growth.
  - Every input besides producing more output also changes institutional and technical knowledge.

### **3. Research Method.**

This research was conducted in Indonesia with secondary data from data obtained from the Central Statistics Agency, the Parliament and scientific studies both from the library and from the website, the research method used was library research, the variables studied were all independent variables namely: Poverty, unemployment , Inequality and Development, the data is descriptive, obtained from 2002 to 2019. Data collection techniques by taking data from BPS, the Parliament, and the website. Data Analysis Techniques by analyzing data that is already data by updating existing facts.



#### 4. Results and Discussion.

##### Poverty, Inequality

Discourse about inequality and poverty is often confused even though these two terms are not the same thing. Poverty generally shows income levels below a certain poverty line. People are called poor if they have an average per capita expenditure per month below the poverty line. Inequality (inequality) describes the gap between those who are rich (read: high income) and poor (read: low income) (Taylor, 2012). It could be that poverty decreases but the level of inequality in a society increases. This happens when an economy improves so that it can help the poor a little richer but make the rich richer. Conversely, when a new economy declines, when the capital market falls dramatically, the poor may improve their income levels, but many wealthy financiers suffer losses from transactions on the capital market, so inequality actually improves. This problem of inequality in practice often triggers social jealousy and violence that often occurs in various regions in Indonesia. Abundant natural resources in Indonesia should be able to provide public welfare if the regulation is in favor of the people. However, what happens is that the gap occurs everywhere. For example, in areas that are poor and have low APBDs, officials and heads of offices are driving luxury cars. Not to forget the contractors as partners of the Regional Government also display a luxurious lifestyle in the midst of community difficulties in meeting their basic needs. Not to mention the companies that exploit nature on a large scale in the area, the surrounding community can only be spectators, encourage the emergence of social jealousy, and continue to trigger inequality. As a result, people experience social frustration that results in criminal acts or other violence (Sismoemarto, 2012: 478-484).

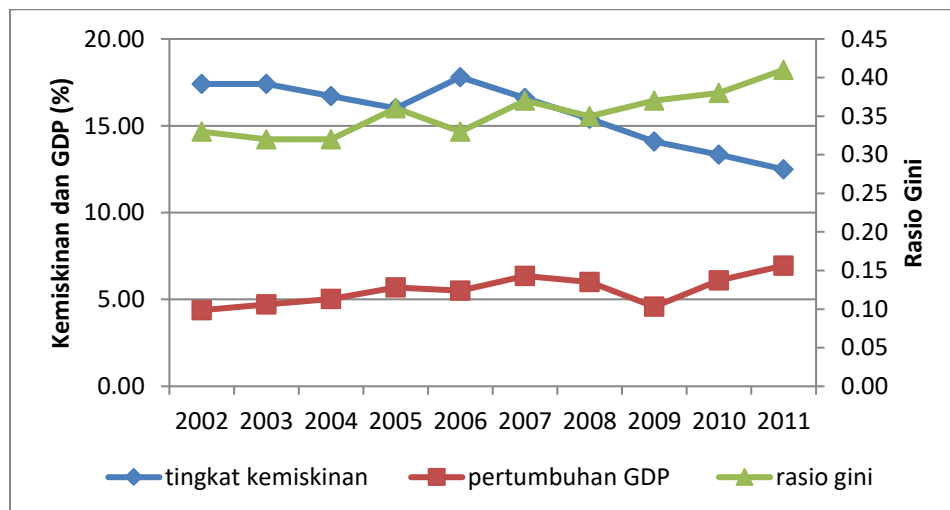


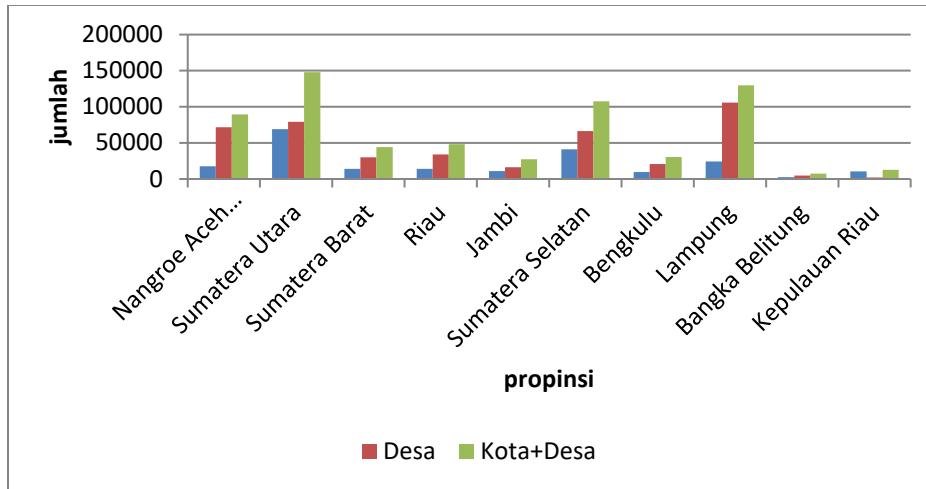
Figure 6.1: Economic Growth, Poverty, and Gini Index, 2002-2011

(Sismoemarto, 2012: 478-484).

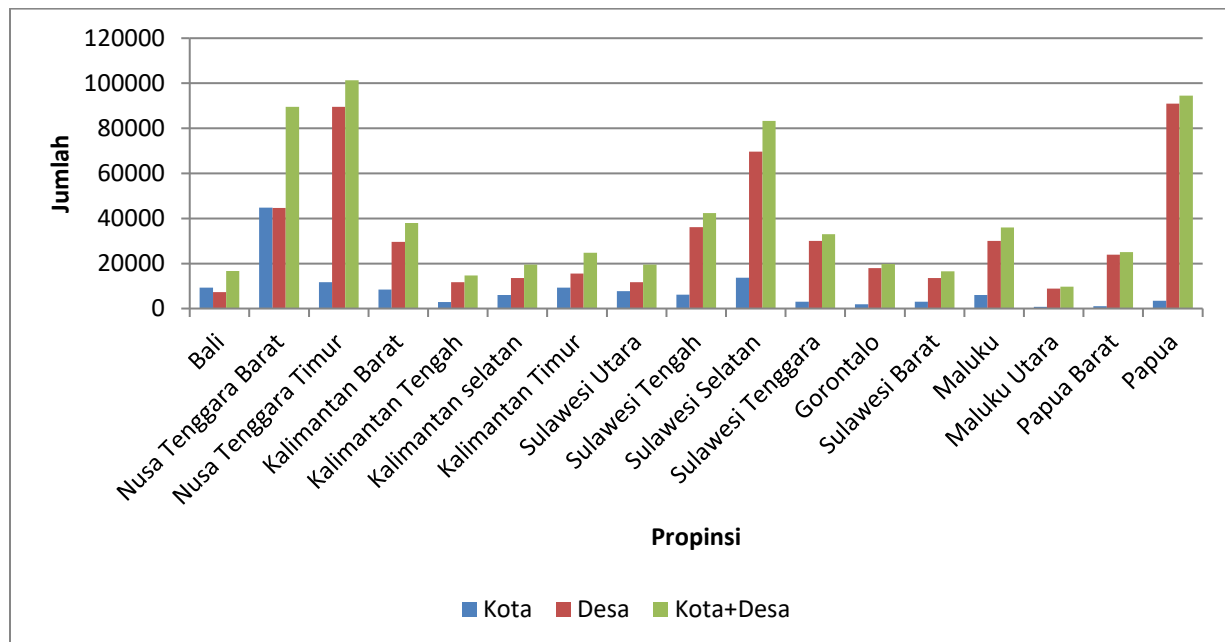
Tingkat kemiskinan=Poverty level  
Pertumbuhan GDP=GDP growth  
Rasio Gini= GINI RATIO

Source:BPS(2012)

It can be seen from the graph below, as is the case in Indonesia that the level of poverty in rural areas is still relatively large compared to the level of poverty in cities, especially in western Indonesia and eastern Indonesia, which have very large inequalities, especially in the provinces of Papua and Nusa Tenggara. In contrast to the provinces of DKI Jakarta, West Java, DI Yogyakarta, and Banten have relatively less poverty in rural areas than in urban areas.



Grafik 01



Grafik 02

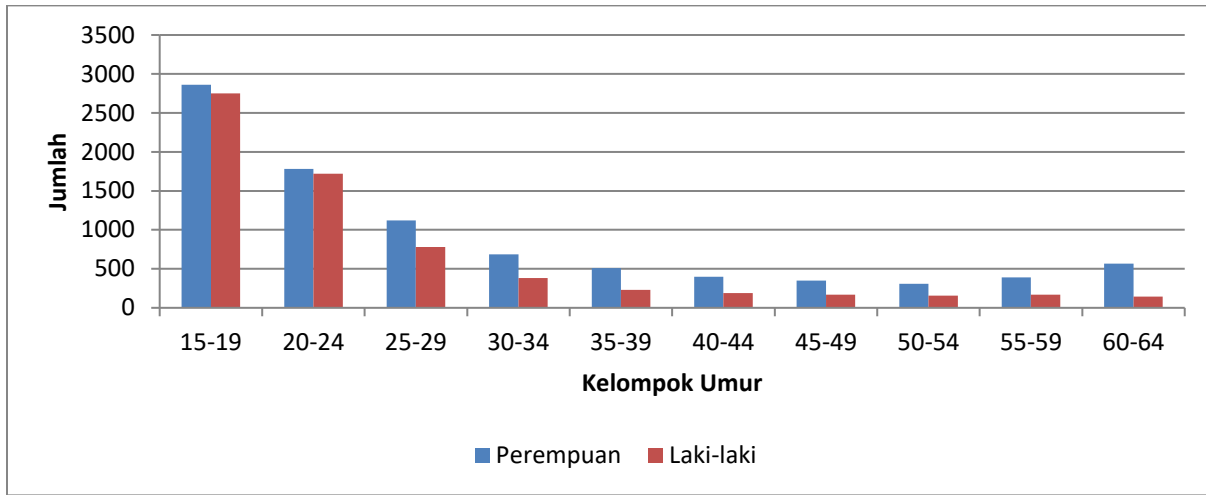
Kota= City Desa = village

Interestingly, even though a large proportion of the population with absolute poverty lives in rural areas, the bulk of the expenditure of most developing country governments over the past quarter century has been devoted to urban areas and various economic sectors, namely modern and commercial manufacturing sectors. Government expenditures in the form of direct investment into the productive economic sector or expenditures in the fields of education, health, housing, and community services, are biased toward the modern sector in urban areas.

### Unemployment

Below is presented a graph of open unemployment rates according to age groups and sex in 2012 in Indonesia, seen from the overall graph it can be concluded that the most unemployment in the

average age group is still dominated by women, but the difference is not too significant and the number of unemployed men are more than half of the total number of unemployed women.



Perempuan= girl, Laki-laki = man



The president said the poor population continued to decline from 11.22 percent in March 2015 to 9.41 percent in March 2019, the lowest in the history of the Republic of Indonesia. Besides poverty, there is a decrease in unemployment and income inequality. Meanwhile, the poverty reduction target for 2020 will be 9.0 percent and the Gini ratio are 0.375. Based on data from the Central Statistics Agency (BPS) in March 2019 the poverty rate dropped to 9.41 percent from 9.84 percent in September 2018. Meanwhile, the gini ratio (the level of inequality) also declined from 0.384 to 0.382 or decreased by 0.002 points.

The Central Statistics Agency (BPS) explained, the decline in the number of poor people was caused by several factors. Indonesia Smart Card (KIP), Indonesia Healthy Card (KIS), cash assistance funds, and various other policies for social assistance also have a significant influence. Increase in nominal wages and real wages of farm laborers from September 2018 to March 2019 also had an effect. The average nominal wage of farm laborers per day in May 2019 rose to 2.29 percent compared to September 2018, from Rp52,665 to Rp53,873.

The real wages of farm laborers per day in March 2019 rose 0.93 percent compared to September 2018. When compared to March 2018, the nominal and real value of farm laborers increased respectively by 4.41 percent and 2.25 percent.

Another factor that suppresses poverty is the maintained inflation rate. According to BPS records from September 2018 to March 2019 the general inflation rate was 1.53 percent. The number of poor people in Indonesia in March 2019 also experienced a decrease of 800,000 compared to March 2018. The number dropped to 0.41 percent.

Indonesia's poverty line in March 2019 is Rp425,250 per capita per month. Indonesia's poverty line increased 3.55 percent from the September 2018 poverty line which amounted to Rp410,670. Indonesia's poverty line in March 2019 rose 5.99 percent compared to March 2018 which amounted to Rp401,220.

If on average one household in Indonesia has four to five family members, the national average poverty line is Rp1,990,170 per household per month. If there is one household that has an income below that number, then it is classified as poor.

The percentage of poor people in urban areas in September 2018 reached 6.89 percent. This percentage dropped to 6.69 percent in March 2019. The percentage of poor people in rural areas has also decreased. From 13.10 percent in September 2018 to 12.85 percent.

In March 2019. The number of poor people in urban areas decreased by 136,500 people in March 2019. The number is now 9.99 million people in March 2019 from 10.13 million people in September 2018. In rural areas, the number of poor people decreased by 393,400 people. The number of poor people in rural areas decreased from 15.54 million people in September 2018 to 15.15 million people in March 2019.

The unemployment rate decreased from 5.81 percent in February 2015, to 5.01 percent in February 2019. Meanwhile, inequality fell because the Gini Ratio narrowed from 0.408 in March 2015 to 0.382 in March 2019.

Economic growth has an upward trend from 4.88 percent in 2015, to 5.17 percent in 2018, and last Semester I-2019 reached 5.06 percent. "

Economic inequality of the Indonesian population as measured by the gini ratio continues to be at the level of 0.382 in March 2019. This level is the lowest since 2011. "This figure is down 0.002 points compared to the September 2018 gini ratio of 0.384. Compared to March 2018, the gini ratio has been recorded to decline 0.007 points from 0.389.

## 5. Conclusions and Suggestions

### Conclusion

- 1) The poor population continues to decline from 11.22 percent in March 2015, to 9.41 percent in March 2019, the lowest in the history of the Republic of Indonesia. Besides poverty, there is a decrease in unemployment and income inequality.
- 2) The unemployment rate decreased from 5.81 percent in February 2015, to 5.01 percent in February 2019. Meanwhile, inequality fell because the Gini Ratio narrowed from 0.408 in March 2015 to 0.382 in March 2019
- 3) Indonesia's economic inequality as measured by the gini ratio continues to be at the level of 0.382 in March 2019. This level is the lowest since 2011. "This figure is down 0.002 points compared to the September 2018 gini ratio of 0.384. Compared to March 2018, the gini ratio recorded a decrease of 0.007 points from 0.389.
- 4) Economic growth has an upward trend from 4.88 percent in 2015 to 5.17 percent in 2018, and last Semester I-2019 reached 5.06 percent. "

### Suggestion

- 1) Development funds to reduce poverty, unemployment and inequality must be increased.
- 2) The priority of development is to improve the welfare of the community by reducing poverty, creating employment in order to reduce the unemployment rate and equitable distribution of development between villages and cities, between rich and poor.
- 3) Increasing tax income from rich people to encourage taxpayers and the amount of tax for equitable development in order to create mutual prosperity.

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