



# **HAS PROSPERITY BEEN FOR ALL? REVISITING THE TREND OF VARIOUS DIMENSIONS OF INEQUALITY IN INDONESIA**

**By: Arief Anshory Yusuf**

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### REVISITING THE TREND OF VARIOUS DIMENSIONS OF INEQUALITY IN INDONESIA

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## 1 Introduction

Since the start of the “New Order” government, up to and prior to the 1997 Indonesian economic crisis, it has brought about increase in income per capita by almost four times. The increasing income of the average Indonesian has also been accompanied by outstanding reduction in poverty. Number of poor people fell from 54.2 million people in 1976 (40.1% of total population) to become 22.5 million people (11.3% of total population) in 1996 (Alisjahbana et al., 2003).

The objectives of this paper is to revisit the trend of various dimensions of inequality in Indonesia from early 1990s to early 2010s. As a framework, inequality is divided into inequality of outcome and inequality of opportunity. The indicator that is assessed for inequality of outcome are various inequality of expenditure while the inequality of opportunity is measured by the gap of education outcome and health indicator for various groups in society such as urban-rural areas, gender, as well as income classes.

## 2 Poverty: beyond the national poverty line

There have been debates that Indonesian success story in eradicating poverty is overrated because the standard of national poverty line is not decent enough. For this reason, the next section discusses the profile of Indonesian poverty if we increase our standard to international \$2 purchasing power parity/day poverty line.

For a start, Figure 1 below compare poverty incidence of various countries (Indonesia, Thailand, Cambodia) using various poverty line including national poverty line, \$1.25/day, and \$2/day poverty line.

It is not surprising that, Thailand is better in all poverty indicators. Indonesia is also better than Cambodia (a neighboring country that is considered relatively less developed in the region) in poverty incidence using national poverty line. However, when using \$2/day poverty line, Indonesia and Cambodia is similar. Almost 40% of Indonesian population still live below \$2/day (or roughly Rp 11,000/day). Philippines and Vietnam has less (in proportion to its total population) people living below \$2/day compared to Indonesia.

Let's go more deeply into the profile of Indonesian poverty incidence with \$2/day<sup>1</sup>. Yusuf (2013) calculate the percentage of people living below international poverty line of \$2 per person per day for each of the year during the period of 1990 to 2012 or the last 22 years of Indonesian economic development. This estimates improved previous World Bank estimate because it incorporate regional variation in cost of living (Yusuf, 2013).

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<sup>1</sup> This section is heavily based on Yusuf (2013).

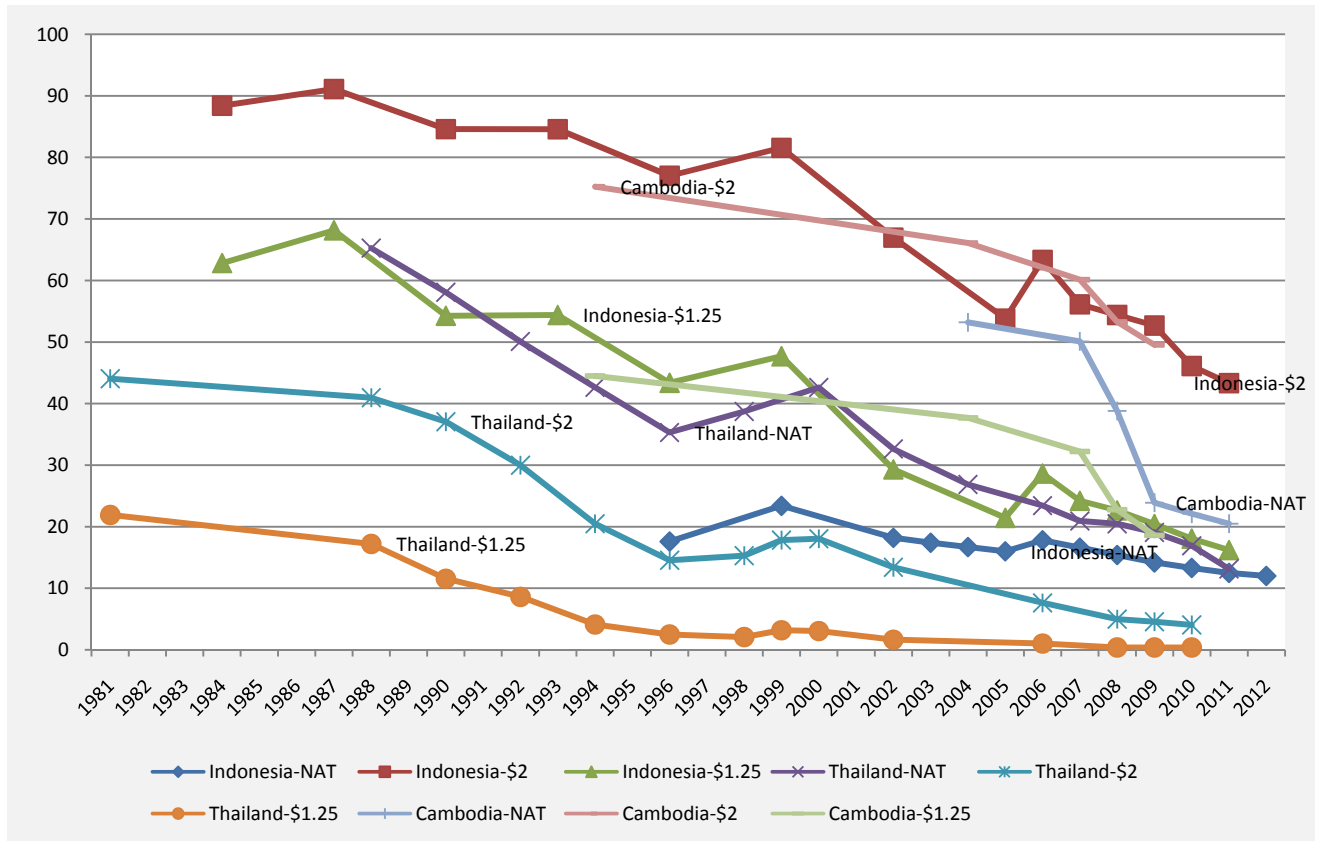


Figure 1. Poverty incidence in Indonesia, Thailand and Cambodia<sup>2</sup>

To calculate the proportion of people living below \$2 a day, firstly we need to calculate the relevant poverty line. The \$2 a day is based on the World Bank survey as part of their International Comparison Program (ICP) in 2005 and estimated the Purchasing Power Parity (PPP) \$1 is equivalent to Rp 4,193. The poverty line calculated in Yusuf (2013) is as follow.

$$PL_{i,t} = 2 \cdot 30 \cdot PPP_{2005} \cdot \frac{CPI_{it}}{100} \cdot \frac{PLN_{it}}{\overline{PLN}_t}$$

$PL_{it}$  is the \$2 poverty line that we try to measure,  $PPP_{2005}$  is the purchasing power parity exchange rate Rupiahs/\$ in 2005; the  $CPI_{it}$  is the consumer price index. The index  $t$  is year from 1990 to 2012 and the index  $i$  is the region which consist of provinces and for each provinces we distinguished between urban and rural areas.  $PLN_{it}$  is national poverty line for each region and for each year, while  $\overline{PLN}_t$  is the mean of poverty line across regions for specific year.  $CPI_{it}$  is the regional consumer price index, all are equal to 100 in 2005. The result is shown in figure below.

<sup>2</sup> Source: World Bank's World Development Indicator

The figure suggest that for the period of 1990 to 2012, thhe proportion of people living below \$2 a day has been declining at an average rate of 2.2% per year leaving only 36.5% in 2012. The rate of the decline in the last ten years (or reformasi era, 2002-2012) has been faster (2.9% a year) than during the pre-reformasi era or the period of 1990-1996 (1.4% a year). This is in contrast to a rather slow rate of the decline in the poverty incidence with national poverty line during the reformasi era which was only 0.65% a year.

So in conclusion, Indonesia still has quite many people living in poverty with the \$2/day standard, however, the rate of its reduction is quite progressive. Facing with the fact that poverty incidence using national poverty line decline a lot slower, it suggests that the problem we have is rather the sluggishness in the welfare improvement at the very bottom of the distribution.

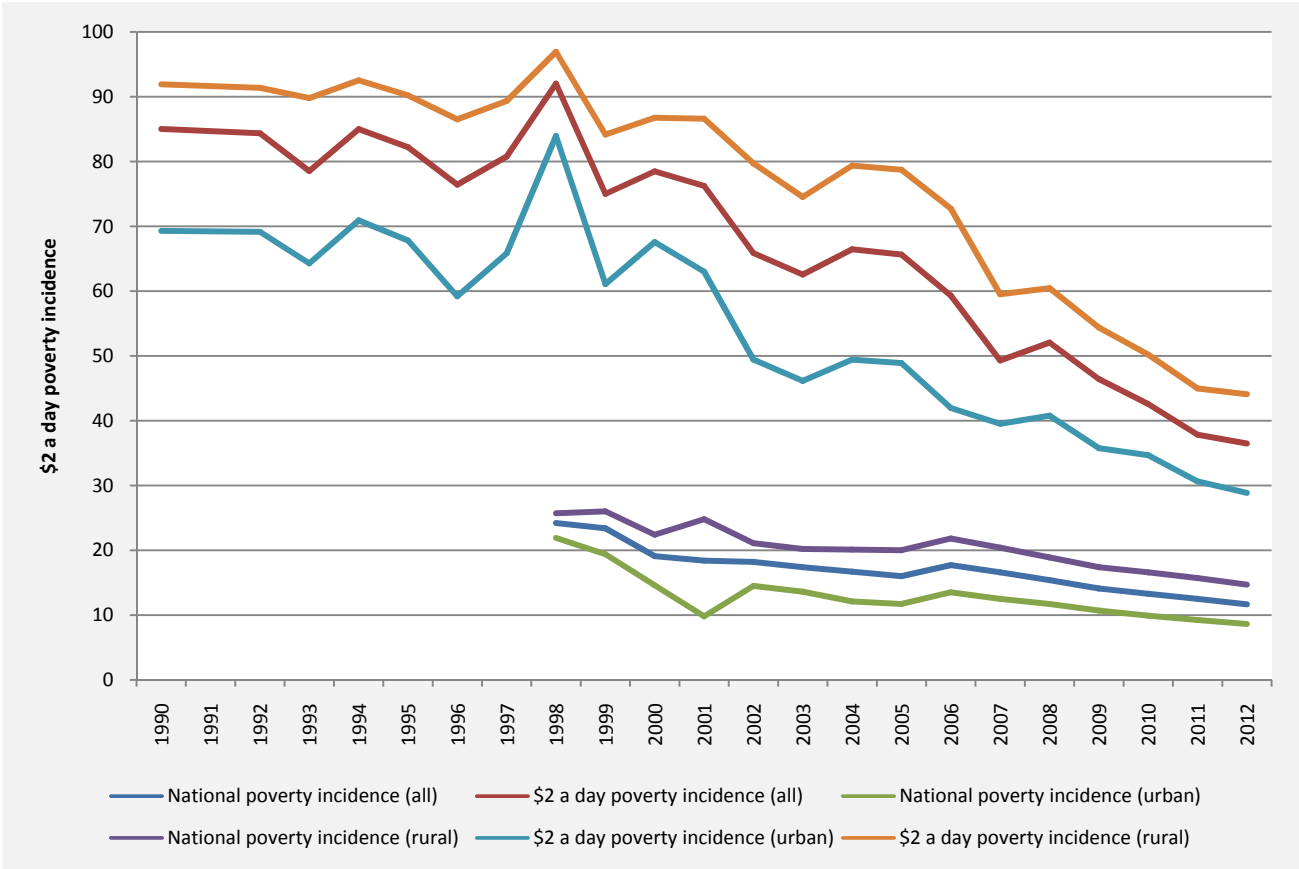


Figure 2. Poverty incidence in Indonesia 1990-2012 <sup>3</sup>

Poverty however is not the only indicator to whether the growth of prosperity has been shared by all. Inequality is another dimension that can be more important. We will devote the remaining sections on this issue.

<sup>3</sup> Source: Author's calculation based on SUSENAS data





### 3 Inequality in development outcome<sup>4</sup>

In the discourse on inequality, first, we should distinguish between inequality of outcome and inequality of opportunity. Borrowing a theory by a renowned philosopher, John Roemer of Yale University (Romer, 1993), inequality of outcome such as income among members of a society is not only a product of the inequality of effort or talent among individuals but also inequality in circumstances beyond the control of the particular individuals. Unlike policies of equalizing outcome, policies of equalizing opportunity by giving support to individuals with less conducive circumstances to level the playing field is more acceptable across different political spectrum, from left to right.

Inequality in opportunity will be discussed in the preceding sections. In this section we will discuss the inequality in outcome which is income proxied by expenditure per capita. Three indicators of inequality in expenditure per capita will be discussed: Gini coefficient, income/expenditure share, and decile dispersion ratio.

#### 3.1 Gini coefficient

Gini coefficient is the most common income inequality indicator i.e., the extent to which the distribution of income among households deviates from a perfectly equal distribution. A Lorenz curve plots the cumulative percentages of total income received against the cumulative number of recipients, starting with the poorest individual or household. The Gini coefficient measures the area between the Lorenz curve and a hypothetical line of absolute equality. A Gini coefficient of 0 represents perfect equality, while of 1 implies perfect inequality. More formally, the Gini coefficient can be calculated with the following formula:

$$G = \frac{1}{n} \left( n + 1 - 2 \left( \frac{\sum_{i=1}^n (n + 1 - i) y_i}{\sum_{i=1}^n y_i} \right) \right)$$

where  $y_i$  is expenditure per capita of household  $i$ , and  $i = 1$  to  $n$  indexed in non-decreasing order ( $y_i \leq y_{i+1}$ ).

Figures below show the trend of Indonesian Gini coefficients.

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<sup>4</sup> This section is heavily based on Yusuf, et al (2013).

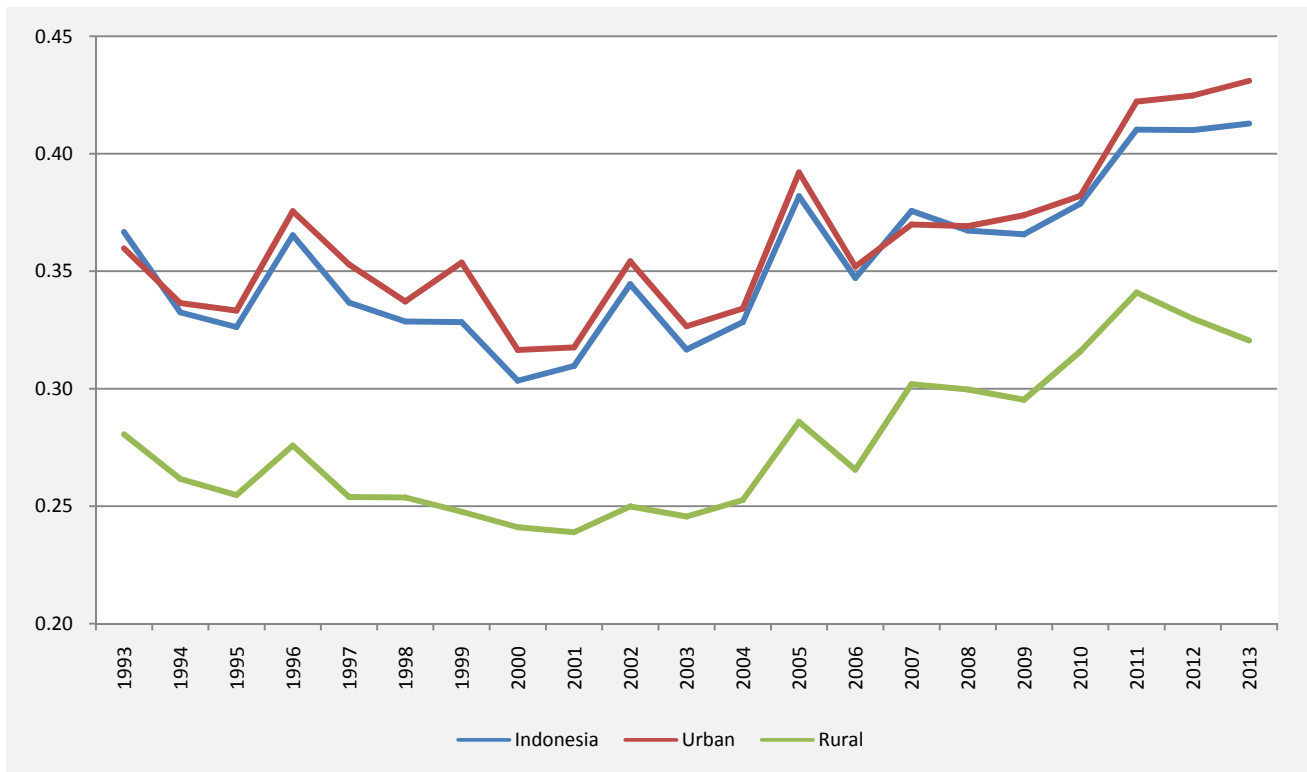
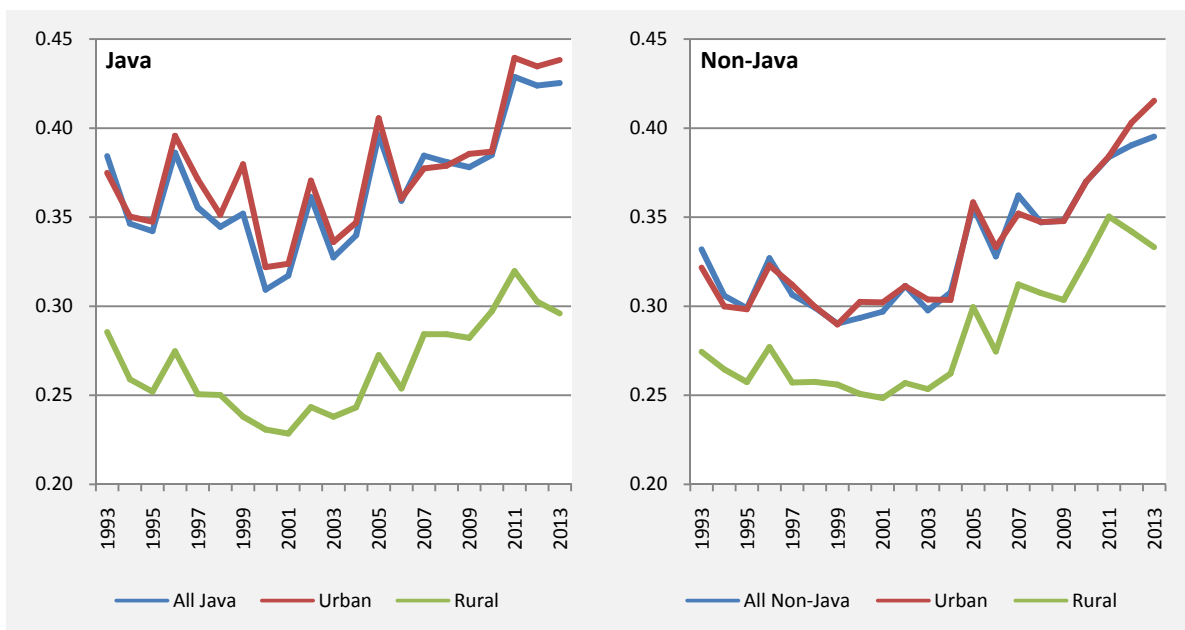


Figure 3. Gini coefficient by urban and rural areas of Indonesia<sup>5</sup>



<sup>5</sup> Author's calculation based on SUSENAS data

#### Figure 4. Gini coefficient in Java and Non-Java<sup>6</sup>

As also discussed in Yusuf et al (2013), some highlights can be mentioned from these figures. Gini coefficient has risen from 0.33 to 0.41 between 1990 and 2013. This is the highest ever recorded Gini in Indonesian history. The increase in the long-run trend is generally similar across urban and rural areas as well as across Java and non-Java islands suggesting that this is not local or regional phenomenon but a national phenomenon.

Moreover, in urban areas the Gini was already 0.43 in 2012. In urban areas of Java Island the Gini coefficient reached as high as 0.44 in 2011 albeit slightly falling the following year to 0.43. In the disaggregated estimates, especially so by regions, the level of current inequality, as measured by the Gini coefficient, seems to be worse than is currently thought in the literature.

The Gini coefficient was stable, if not slightly decreasing, before the Asian Financial Crisis (AFC). However, after the AFC period the Gini coefficient had a strong upward trend. The Gini coefficient in rural areas is stable and lower than in urban areas. The upward trend in the Gini coefficient is consistently evident in both urban and rural areas, as well as across regions in Indonesia, such as in Java and in the non-Java islands.

In terms of the proportional increase, the Gini coefficient after the AFC (2001) was 0.34 but rose to 0.41 in 2012 or an increase of 0.1 point or 32%. Surprisingly perhaps, the rate of change was faster in rural areas, where in 2001 the Gini coefficient was 0.24, and in 2012 it rose to 0.33, a startling increase of almost 40%. This trend is slightly stronger in rural areas of non-Java compared to Java.

### 3.2 Palma Index

Palma index is the ratio of the income share of the richest 10% population to the income share of the poorest 40% population. It is based on the work of Gabriele Palma (Palma, 2006, 2011). This index is based on the observation that the 'middle classes' tend to capture around 50% of national income, but the other half of national income is shared between the richest 10% and the poorest 40%. Cobhan and Sumner (2013) argue that the ease of interpretation of the Palma ratio could provide a more policy-relevant indicator of the extent of inequality in each country, and may be particularly relevant to poverty reduction policy.

Palma index is easier to interpret. If the index value is 0.25, it means it is a perfect equality. There is no upper limit of the index. If the index value is 2, it means that the 10% richest group enjoy twice the share of the national income compared to the 40% poorest. Palma index for Indonesia is calculated from 1993 to 2013 and its result for the whole Indonesia, urban and rural areas is presented in Figure 5.

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<sup>6</sup> Author's calculation based on SUSENAS data

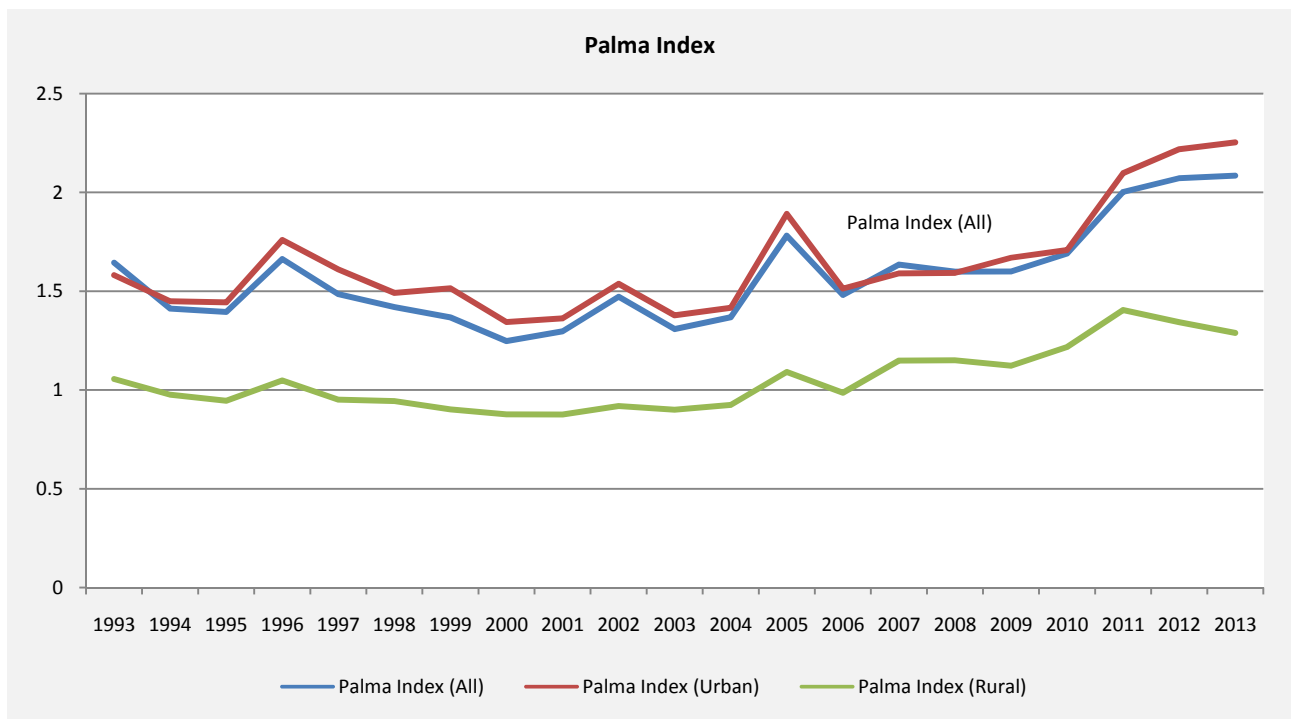


Figure 5. Palma Index Indonesia<sup>7</sup>

As the figure shows, Palma Index for Indonesia in 2013 is 2.08 which can be interpreted that the income share of 10% richest population in Indonesia is 2.08 higher than the share of the 40% poorest population. So, it is 8 times departing from the perfect equality.

Comparing Palma Index to Gini coefficient, it suggests that the difference of inequality in urban and inequality in rural area is larger. Using Palma Index, the income distribution is 74% more inequal compared to the income distribution in rural areas. With Gini coefficient the difference is only 34%. This suggest that the gap between the 10% richest and the 40% poorest in urban area is a lot larger.

Using Palma Index, we can see that the trend of increasing inequality is faster compared to using Gini coefficient. With Palma Index, for the last 10 years our inequality has risen by 60%, while with Gini coefficient it has risen only by 30%. This may suggest that the rising income of the middle class has been so fast that the gap between them and the top income is closing. Gini index may capture this as inequality reducing. Palma Index does not capture this dynamics.

### 3.3 Income share

Figures below shows the income share by urban and rural areas. The figures suggest that the income share of the 20% richest households is rather stable from 1990 until the AFC

<sup>7</sup> Source: Author's calculation using SUSENAS data

period but increases immediately after the AFC (2001) and continues to do so to 2012. While in 1990 the income share of the 20% richest households was 42.1%, in 2012 it was 49.5%. The increase in the income share of the 20% richest households during the last decade has been accompanied by the decline in the income share of the 40% poorest households and the 40% middle-income households. However, the decline of the 40% poorest households is noticeably larger. For example, from 2001 to 2012, the 20% highest income group has gained a 5.4% additional share at the cost of the 40% poorest income group and the 40% middle-income group losing -4.8% and -2.8% respectively.

### **Box 1. On the under-estimation of Indonesian Gini Coefficient<sup>8</sup>**

Is there any possibility that inequality as measured by standard indicator like Gini coefficient under-represent the reality? Yes, the reasons could be among the following. First, inequality measured using expenditure data rather than income tend to be lower, since upper-income groups usually save a larger proportion of their incomes, the distribution of consumption expenditure is generally more equitable than the distribution of income. Secondly, when the data used to calculate inequality under-represent certain groups in the population i.e. the rich.

Ideally when total consumption from household survey is aggregated, taking into account sampling weight, the aggregate has to be close to the national aggregates. In fact, even in total (not by component of expenditure), it is rarely the case. The fact that the aggregate from SUSENAS fall short of the aggregate from I-O, does not imply anything to distribution of expenditure across households, so long as, the discrepancy in its component of expenditure is more or less in the same magnitude. However, this is not the case. It is found, for example, that the aggregate expenditure of rice from the SUSENAS match closely, the aggregate rice expenditure from I-O table, while at the same time, the discrepancy in its total is high. This may suggest that the discrepancy in non-food expenditure is a lot wider than the discrepancy in food expenditure. This situation will be associated with distribution of expenditure since non-food consumption basket is higher among the top income class rather than among lower income class. Therefore, ones who believe that national account is more accurate, will speculate that non-food expenditure from household survey is under-estimated.

The calculation using the most recent 2003 I-O table and 2002 SUSENAS 2002 shows that inconsistency. While aggregate food expenditure from SUSENAS fall short of from I-O table by a factor of 1.7, non-food expenditure fall short a lot more by a factor of 3.7. While, non-food expenditure share calculated from SUSENAS is around 64%, national account data suggest it is around 77%, suggesting a markedly-different expenditure pattern.

The possible reasons among other, are under-reporting of non-food expenditure by the higher income groups, or the higher-income group are under-represented in the sample. The under-representation of high income groups could be due to non-response rate or even the sampling frame itself. In this sort of situation, inequality in expenditure per capita, as measured, for example by Gini coefficient, will be under-estimated.

By re-estimating the sampling weight using optimization method and synchronizing the two sources of data, Yusuf (2006) recalculate Indonesian Gini coefficient in 2003. The results indicates a severe under-estimation of inequality in Indonesia. The under-estimation seems to be insignificant in rural area, but substantial in urban area. The

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<sup>8</sup> This is based on Yusuf (2006)

"Jakarta factor", the possible under-representation of the rich in the nation's capital seems to account mostly to this result.

For example, the new Gini coefficient (all urban and rural combined) is 0.59 compared to 0.35, a jump by 0.24. Broken down into urban and rural inequality, it is found that the magnitude of the under-estimation is relatively very low in rural area than in urban area. Gini coefficient in rural area does not really change much, while in urban area, it change a lot. This result is quite intuitive, since, if the source of this under-estimation is the under-representation of the very rich in household survey, it is hard to find, the super rich in rural area, than in urban area like Jakarta. The breakdown of calculating Gini coefficient among provinces suggests that, the magnitude of the under-estimation is highest in Jakarta, where the under-estimation is as high as 0.24 point. This is again could be explained and intuitive, since ones may believe that the under-representation of top highest income group will be severe in the capital. Given this finding, overall Gini coefficient excluding Jakarta, is calculated, to find out, how the "Jakarta factor" contribute to the under-estimation of inequality in Indonesia. The result suggest that, excluding Jakarta, the new Gini coefficient is higher by 0.9 point instead of 0.24 point. The overall Gini coefficient in Indonesia (urban and rural) is 0.42 compared to 0.33. Even with Gini coefficient of 0.42 (in 2003), Indonesia, will no longer belong to countries with highest equality and Gini coefficient higher than 0.5 will place us to the top highest inequality together among others with some Latin American countries like Brazil (0.61), African countries like Sierra Leone (0.63), or even our neighbors Malaysia (0.50).

Since, the under-estimation of inequality, as suggested by this exercise, is not merely a speculation, but based on the actual inconsistency between two source of data, and using a formal type of approach, it may be used as a potential indication, that the inequality in Indonesia, especially in Jakarta, is a lot higher than anyone expected. This, off course, has a wide policy implication, but most importantly, Indonesia may not have been among the most equal nations.

Another approach is to use information from past information where inequality indicator was calculated based on both expenditure and income. According to the data compiled in the World Income Inequality Database, there were some years where the information exist for Indonesia.

If considers all the countries by Gini (figure below) one finds that over the period of 2001 to 2011, Indonesia moved from low income, low inequality (lower-left quadrant) to low income, high inequality (upper left quadrant). Further, when taking into account that inequality is measured with expenditure and not income in Indonesia, one could say

Indonesia may even be higher up in that same quadrant (in figure 10 identified as Indonesia 2011Y).<sup>9</sup>

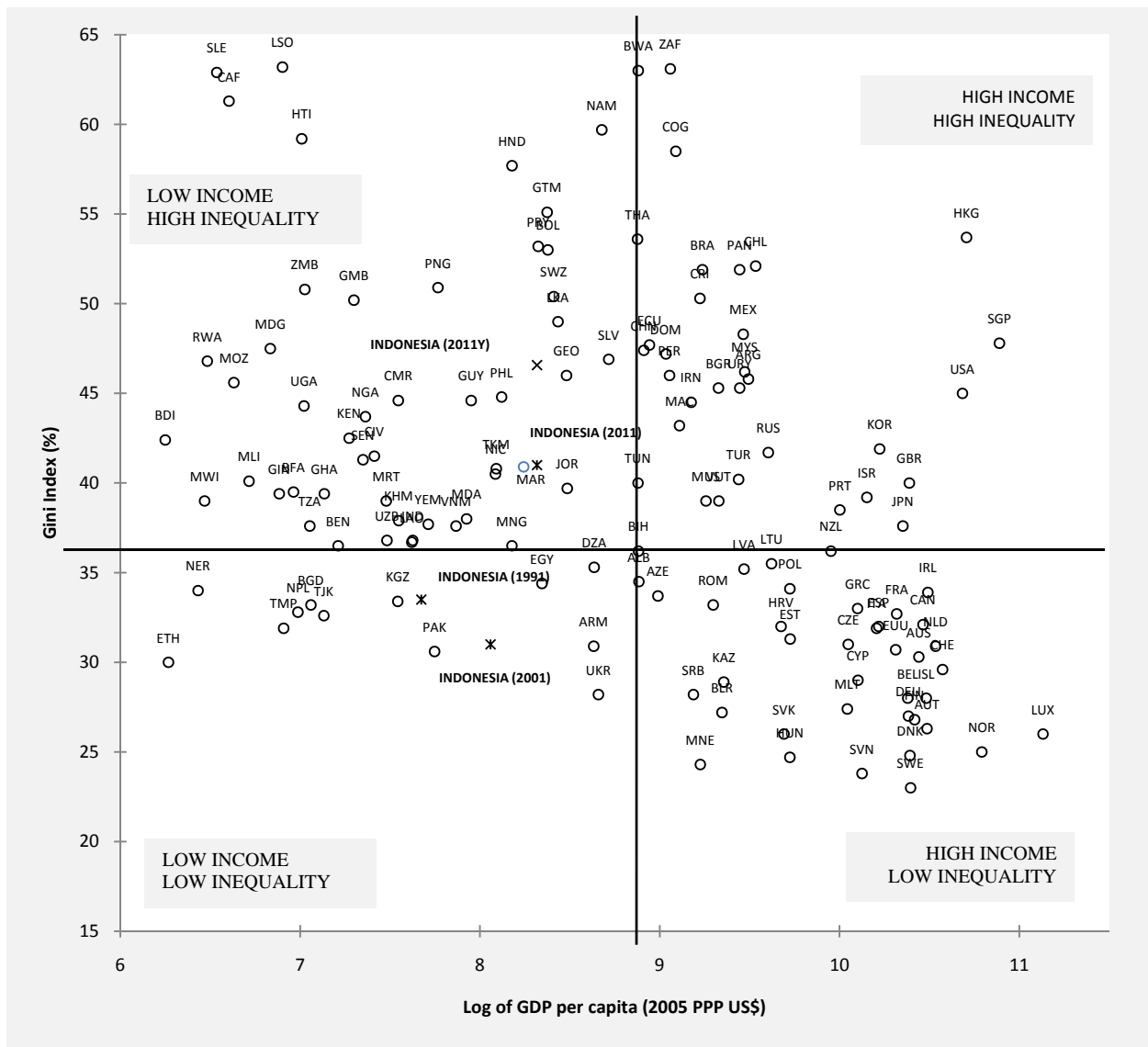


Figure 5. Gini index and income by countries<sup>10</sup>

<sup>9</sup> This is based on Indonesia's Gini coefficient in 2011 adjusted for the difference between expenditure-Gini and Income-Gini estimated from years when both Gini coefficient was measured).

<sup>10</sup> Source: CIA Database



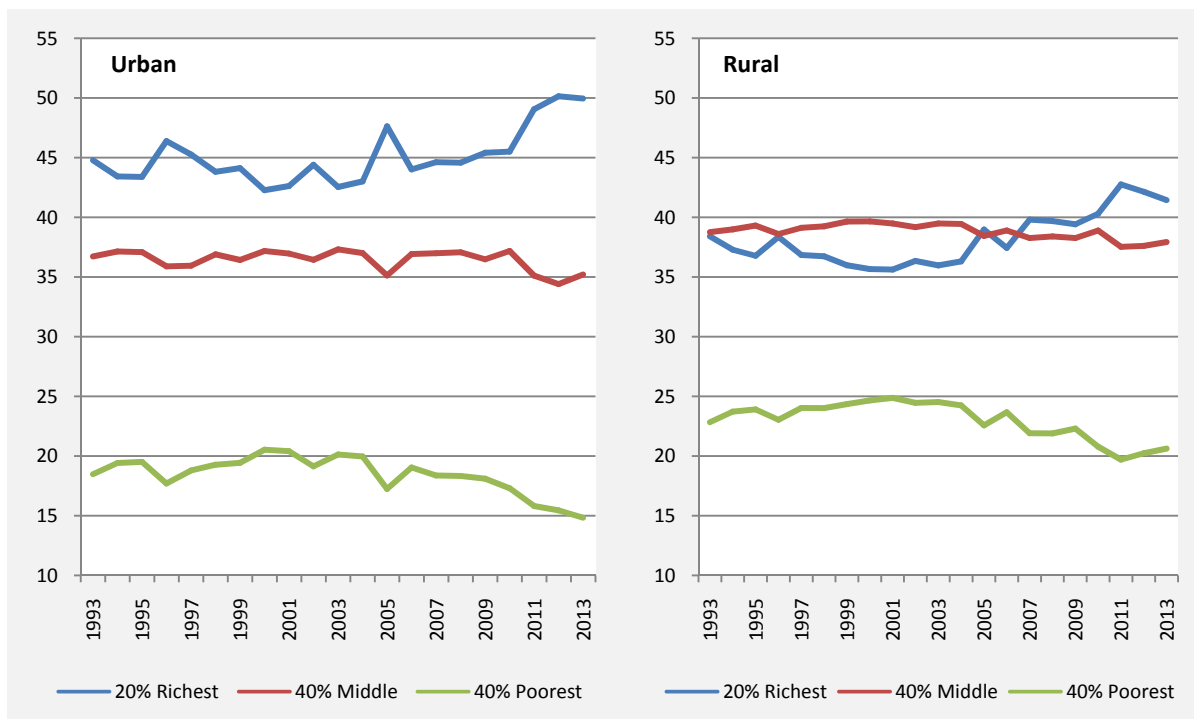


Figure 6. Expenditure share by income groups in urban and rural areas (%)<sup>11</sup>

The widening gap as measured by the income share of the three income groups are common across urban and rural areas. One particular observation in rural areas deserves more attention. In 1990, the share of the 40% middle-income group was 39.3% while that of the 20% richest group 37.1%, making the former slightly higher than the latter. This remained the same for the following 15 years. However from 2007 onwards, the share of the 20% richest household was consistently above the 40% middle-income household.

The figures also show that from the year 1990 to 2003 the income share of the 40% poorest households increased albeit slowly. From 2004 onwards their income share started declining and that decline grew faster during the most recent years. During this specific period, the income share of the 40% poorest declined by 4%. This means on average that the 40% poorest households in rural areas saw their income share reduced by 0.5% every year.

### 3.4 Ratio of top to bottom income (Decile Dispersion Ratio)

Decile dispersion ratio is the ratio of the average consumption (or income) of the richest 10 percent of the population to the average consumption (or income) of the poorest 10 per-cent, or:

<sup>11</sup> Source: Author's calculation based on SUSENAS data

$$D = \frac{y_{10}}{y_1}$$

where  $y_{10}$  is the average consumption per capita of the decile 10 i.e. richest 10 percent group of the population and  $y_1$  is the decile 0, the poorest 10 percent group of the population. Figure below shows the trend in decile dispersion ratio in Indonesia.

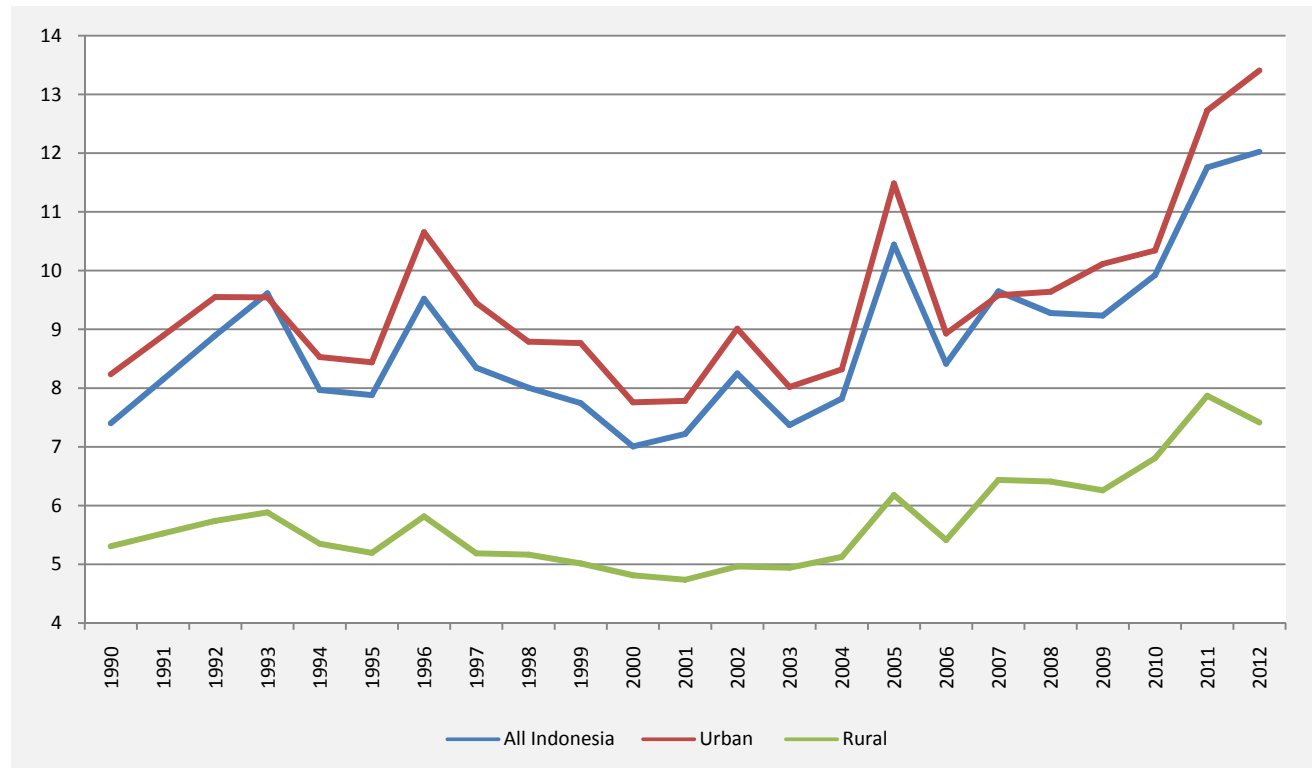


Figure 7. Ratio of mean expenditure of 10% richest to 10% poorest households<sup>12</sup>

The decile dispersion ratio is the ratio of the mean expenditure of the 10% richest households to that of the 10% poorest households. Figure shows the evolution of the decile dispersion ratio from 1990 to 2012 for all Indonesia, urban areas, rural areas. Over the period from 1990 to 2012, the decile dispersion ratio tended to decline moderately prior to the AFC period, falling even further during the AFC period, but increasing rapidly after the AFC period up to 2012.

The decile dispersion ratio trend for the last decade suggests a picture of rising inequality that is more significant than that made visible by the Gini coefficient. For example, from 2001 to 2012, the decile ratio for all Indonesia rose by 65% or 0.44 points every year. This is quadruple the 0.13 point a year rise between 1990 and 1997. The rising decile dispersion ratio is more prominent for urban areas and in Java. In urban areas the gap between the 10% richest and the 10% poorest from 2001 to 2012 widened by around 70%. The gap

<sup>12</sup> Source: Author's calculation based on SUSENAS data

between the top and bottom income group also grew tremendously in rural areas, albeit slower than in urban areas.

## 4 Inequality in opportunity

### 4.1 Education<sup>13</sup>

Education is important in the inequality issue because it is the investment of human capital which in turns will create capacity to generate earning. Inequality in earning can be contributed to inequality in education outcome.

For the last twenty years, as Figure 8 below shows, indicator of education outcome has grown quite fast particularly Net Enrollment Rate in Junior and Senior Secondary school and schooling years. Net Enrollment rate in higher education has been relatively stable until quite a big increase in the end of 2000s.

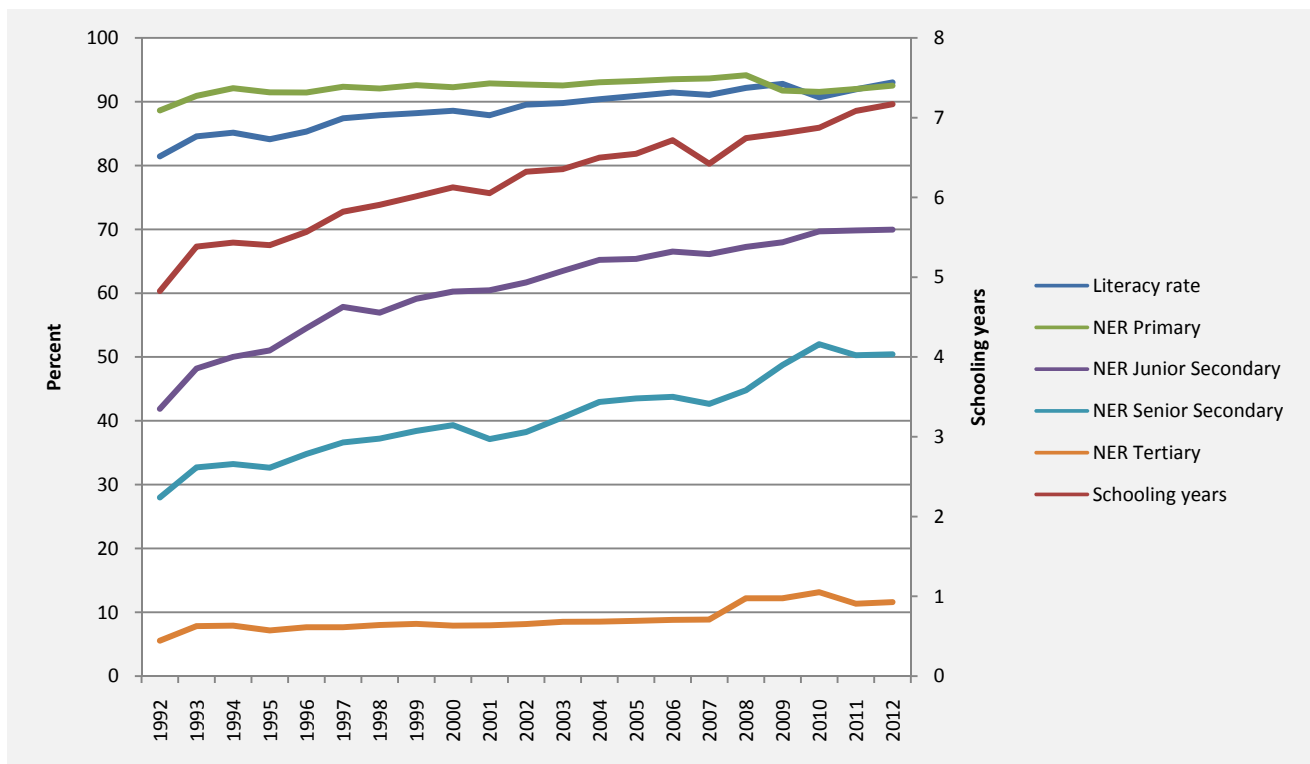


Figure 8. Indicator of education outcome (national average)<sup>14</sup>

Off course national average could be misleading for various reasons. First national average can be driven by the extreme rich thus do not reflect the real representation of the majority. In the next section those indicators will be disentangled into various different group such as urban-rural areas, gender, and 20% poorest v.s. 20% richest.

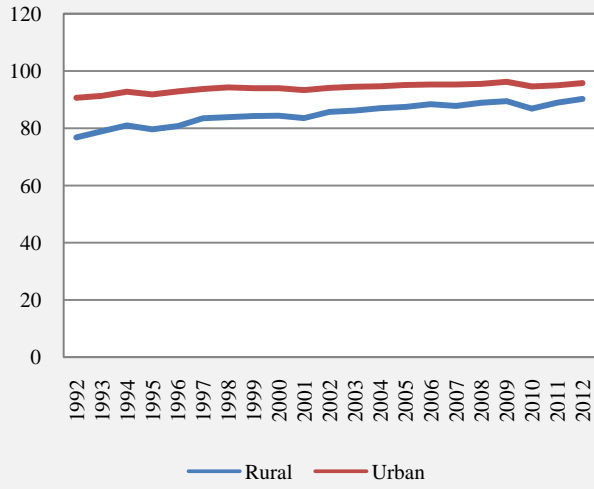
<sup>13</sup> The data used in this section is borrowed from Fahmi & Satriatna (2013) and can be obtained from [www.keberpikahan.org](http://www.keberpikahan.org).

<sup>14</sup> Source: [www.keberpikahan.org](http://www.keberpikahan.org) and Fahmi and Satriatna (2013).

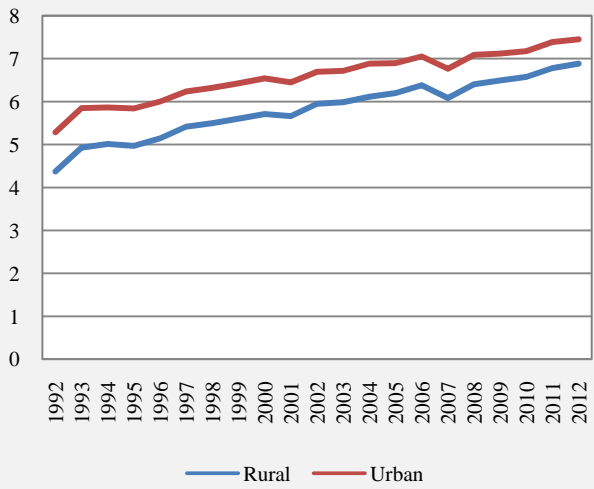
#### 4.1.1 Urban-Rural gap in education outcome

Figure 9 shows the same indicator of education outcome as in Figure 8 but they are broken down by various groups urban and rural households. Some highlights from this figure is as follows. First, the gap between urban and rural literacy has been improving albeit slowly. Second, the gap between urban and rural years of schooling does not change much. Third, the gap between urban and rural net enrollment in junior secondary schools has been very fast, and so for the senior secondary but with rather slower rate. The gap between urban and rural net enrollment rate in university has been closing but it still remains large.

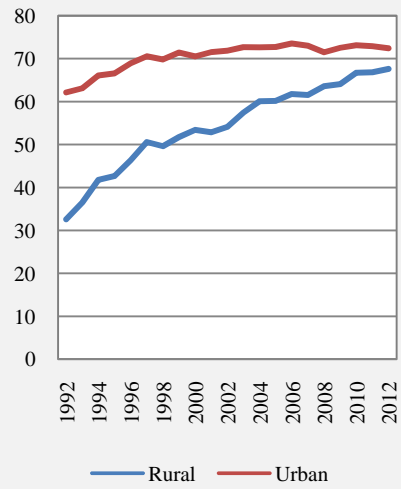
### Literacy



### Schooling years



### NER Junior Secondary



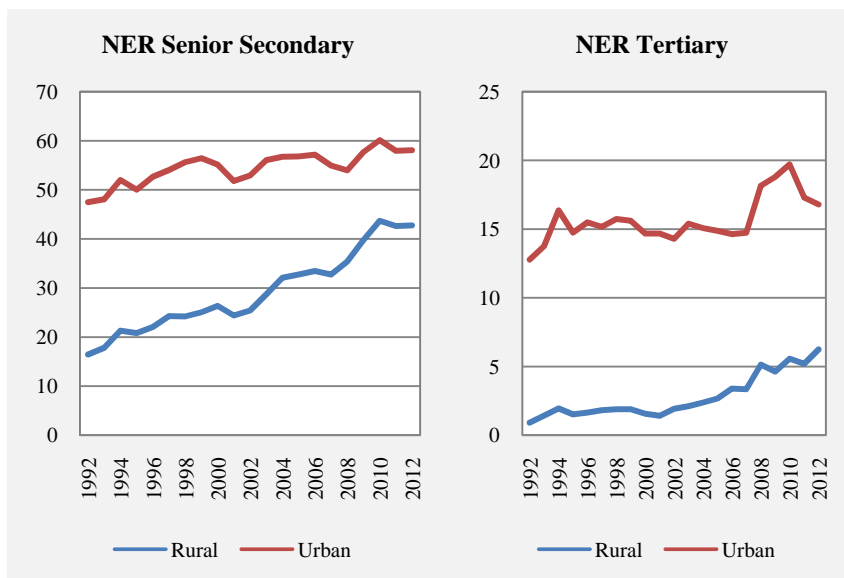


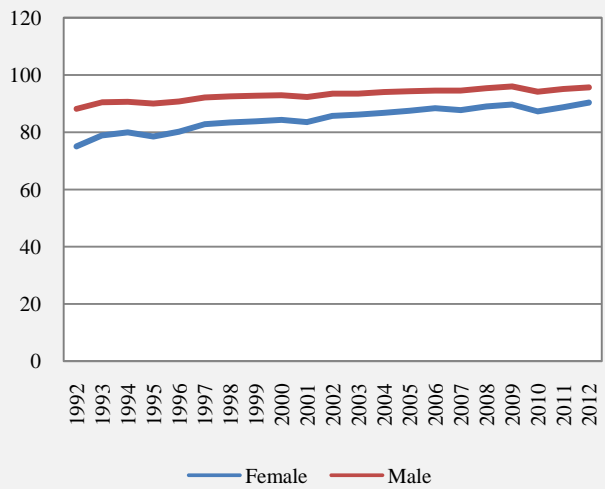
Figure 9. Various indicators of education outcome by urban-rural areas<sup>15</sup>

#### 4.1.2 Gender gap in education outcome

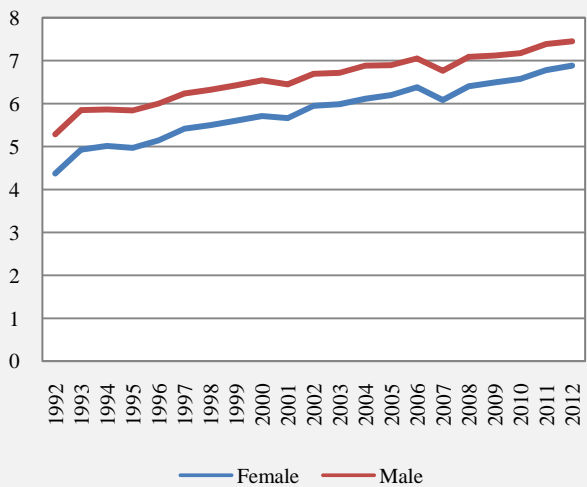
Figure 10 shows the same indicator of education outcome as in Figure 8 but they are broken down by gender (male and female). Figure 10 suggest that there is still gender gap in literacy and schooling years and in the case of the later, the gap does not seem to be closing over the years. However, there seems to be no gap between gender in terms of school enrollment. Both male and female enrollment rate increase with the same growth rate.

<sup>15</sup> Source: [www.keberpihakan.org](http://www.keberpihakan.org) and Fahmi and Satriatna (2013).

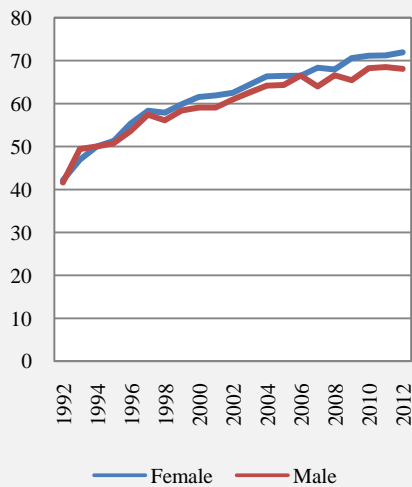
### Literacy



### Schooling years



### NER Junior Secondary





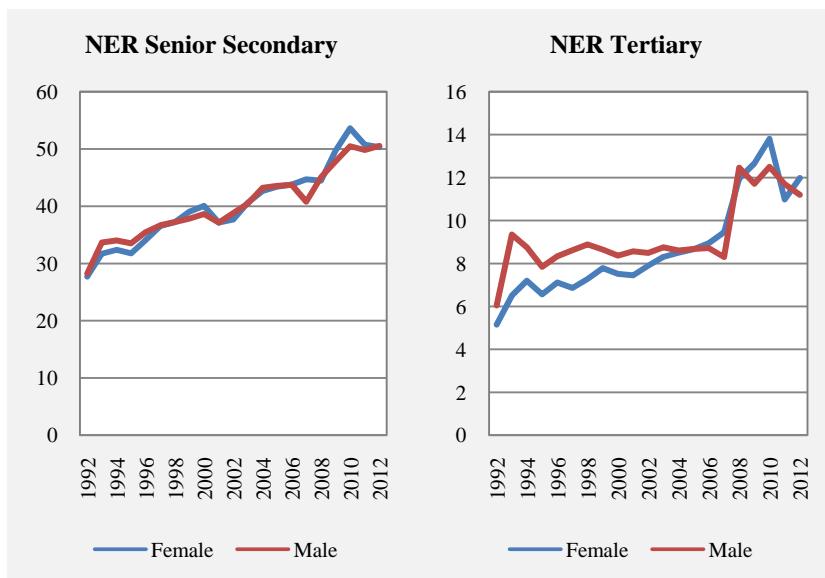


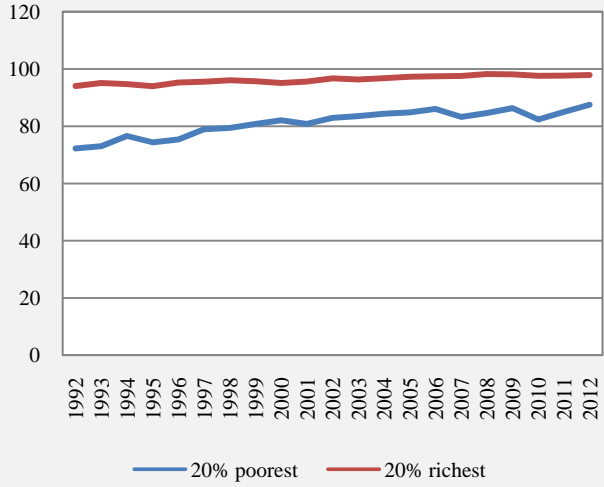
Figure 10. Various indicators of education outcome by gender<sup>16</sup>

#### 4.1.3 Income-class gap in education outcome

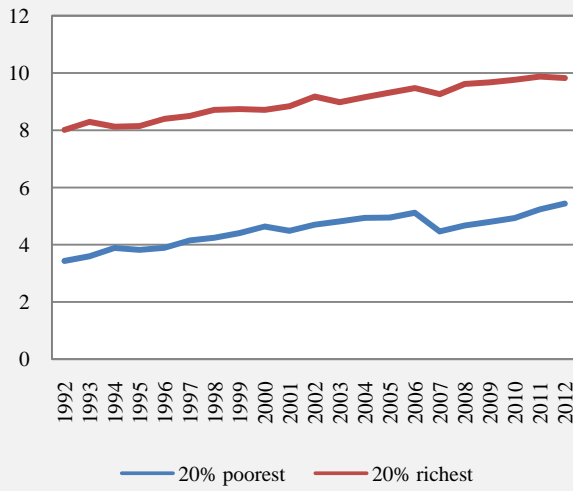
Figure 11 shows various indicator of education outcome distinguishing between household at the bottom 20% and those in the top 20%. The figure shows only one indicator, which is net enrollment rate in junior secondary school has been improved for all. The 20% poorest households have been catching up. The 20% poorest has also been catching up in senior secondary enrollment, but the current gap remains big. Years of schooling, one of the most important indicator on education outcome, has been progressing but there is no tendency of declining disparity between the 20% poorest and 20% richest households. The gap is even rather larger in the most recent years. It should be noted, that for the case net enrollment in tertiary education, there seems to be increasing disparity during the most recent years.

<sup>16</sup> Source: [www.keberpihakan.org](http://www.keberpihakan.org) and Fahmi and Satriatna (2013).

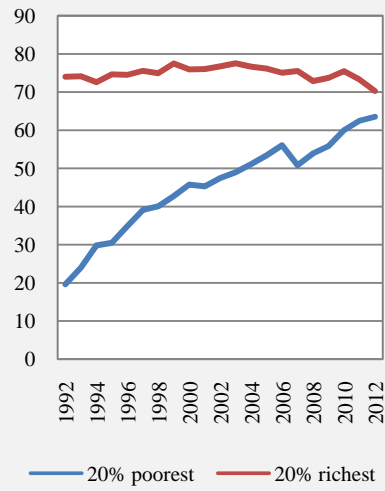
### Literacy



### Schooling years



### NER Junior Secondary



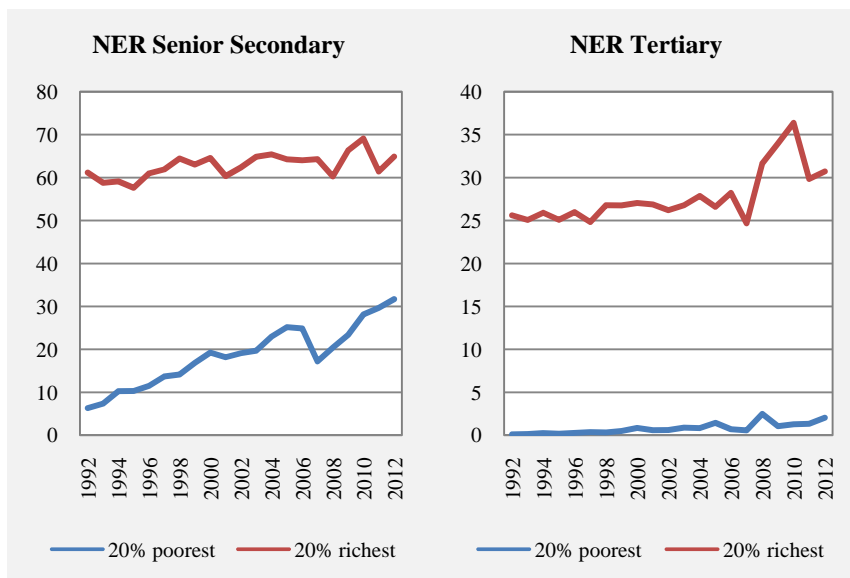


Figure 11. Various indicators of education outcome of 20% poorest and 20% richest households<sup>17</sup>

#### 4.2 Health

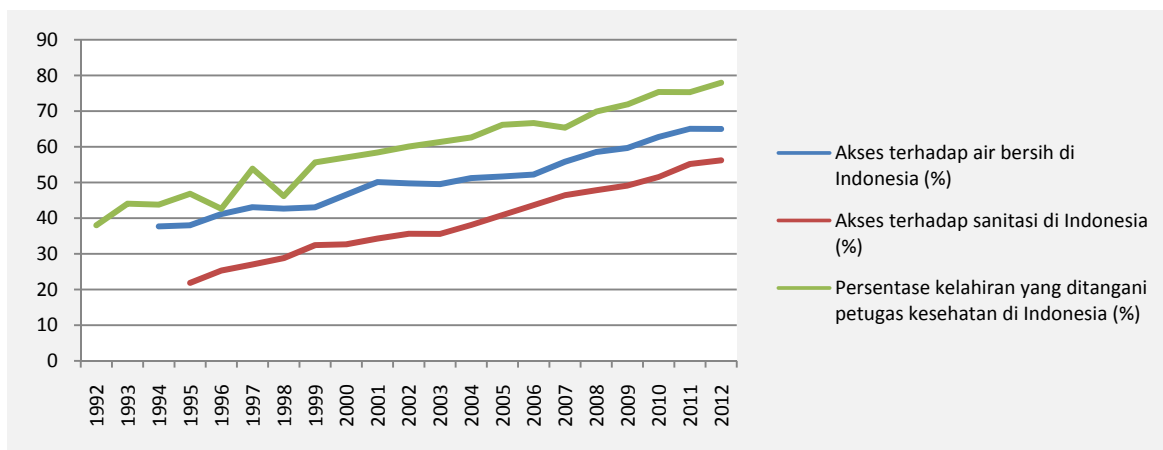


Figure 12. Various health indicators (nation average)<sup>18</sup>

From national perspective, the three health indicators shown in Figure 2 (clean water access, sanitation access, and birth assisted by health workers) has improved over time indicating good progress. However, when we see Figure 12, large gap between urban and rural area still remains.

<sup>17</sup> Source: www.keberpihakan.org and Fahmi and Satriatna (2013).

<sup>18</sup> Source: www.keberpihakan.org and Siregar & Pitriyan (2013).

#### 4.2.1 Urban-Rural gap in health indicators

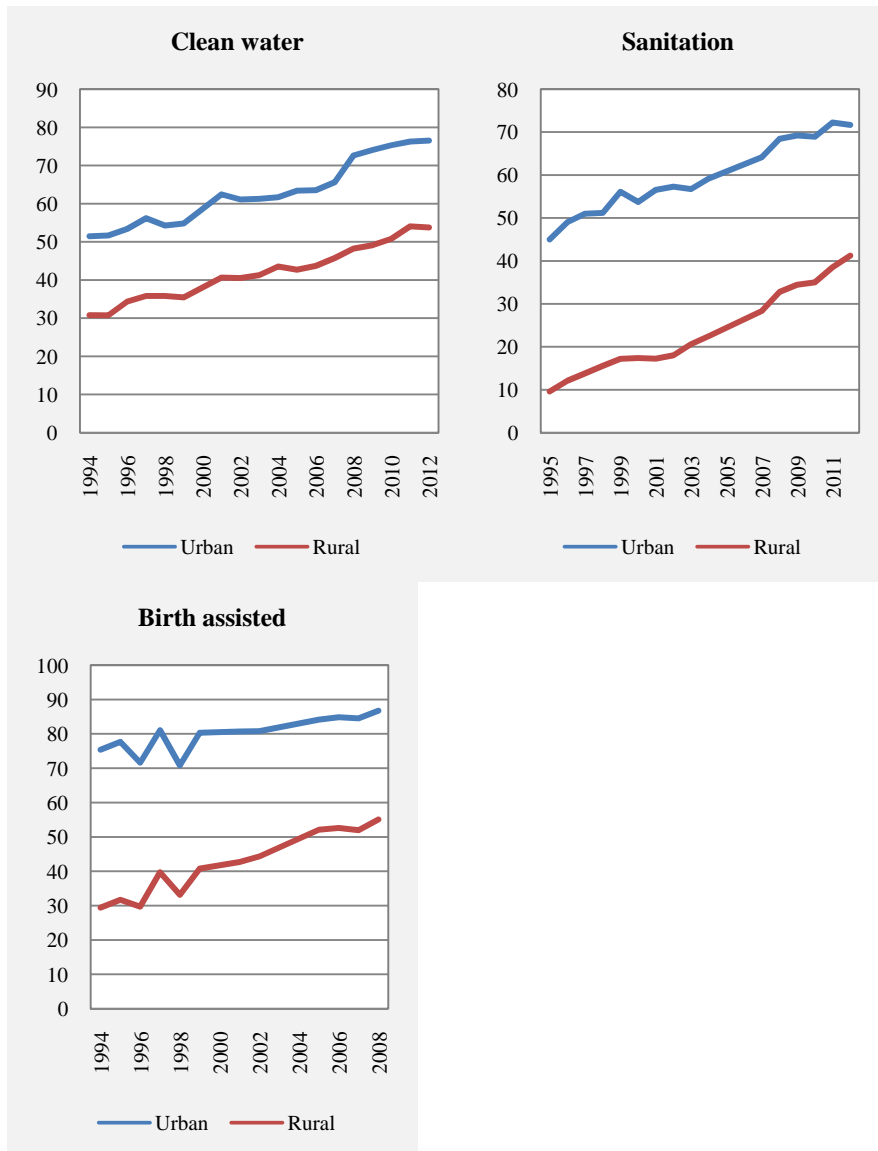


Figure 13. Various health indicators by urban-rural areas<sup>19</sup>

#### 4.2.2 Income class gap in health indicators

<sup>19</sup> Source: [www.keberpikahan.org](http://www.keberpikahan.org) and Siregar & Pitriyan (2013).

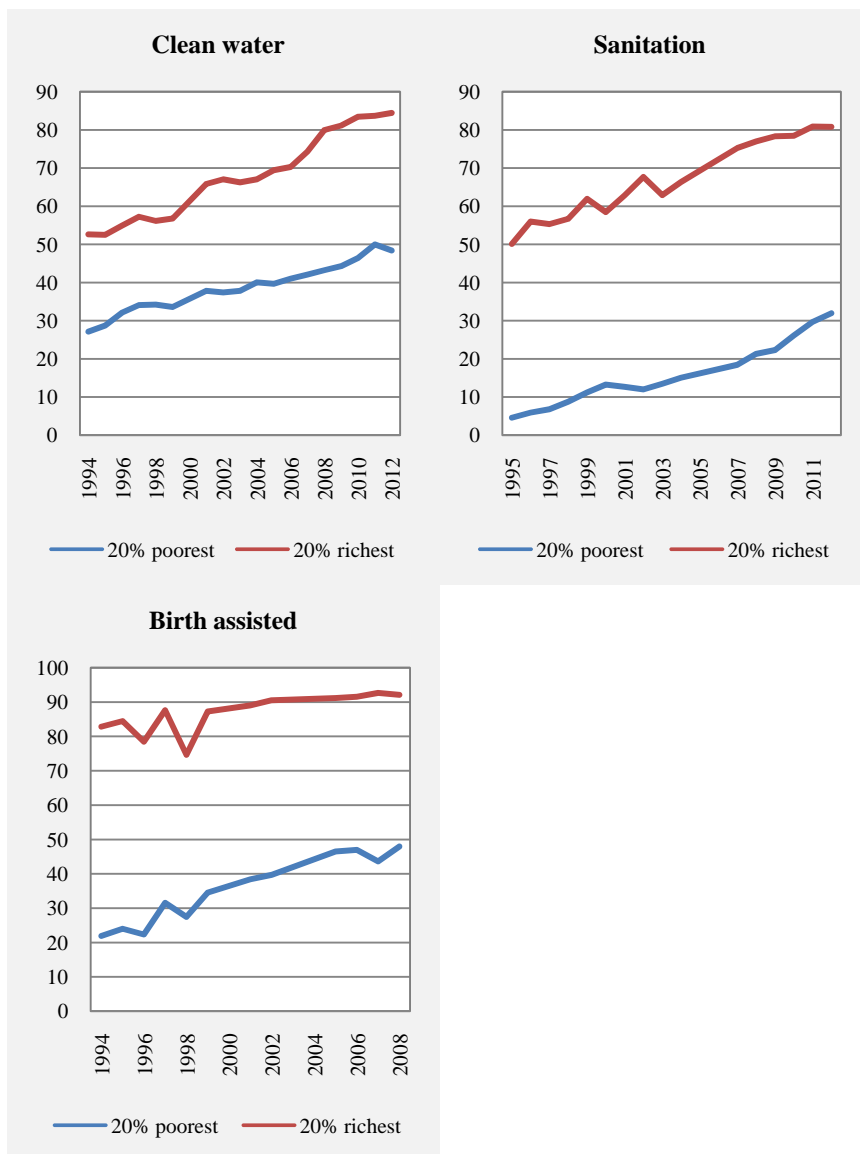


Figure 14. Various health indicators by 20% poorest and 20% richest households<sup>20</sup>

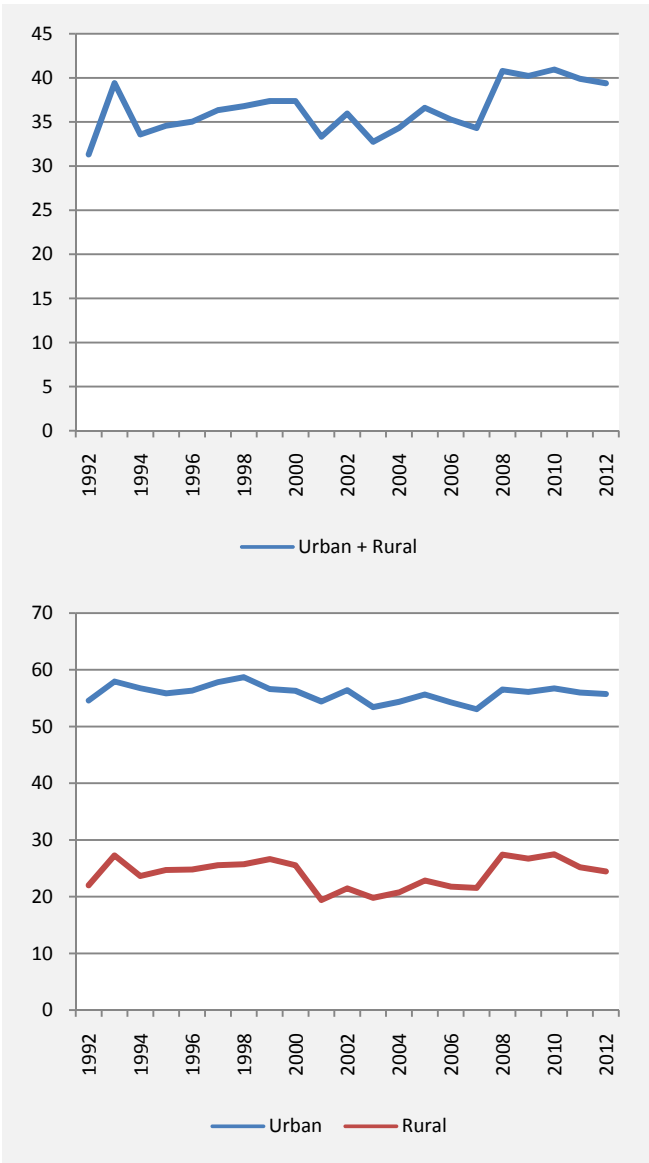
From Figure 14, we can see rather clearly that the growth of access to clean water has been faster for 20% richest household than 20% poorest households. As a result there is a widening gap between the two. For sanitation, the gap also seems to persist. For access to safer birth, there is a slightly faster improvement for 20% poor households.

### 4.3 Labor market opportunity

Access to formal labor market, the key to improved earning and livelihood, has been slowly increasing over time for national average. However, it should be noted that there has been

<sup>20</sup> Source: [www.keberpikahan.org](http://www.keberpikahan.org) and Siregar & Pitriyan (2013).

a decline in the access to formal labor market by 20% urban households during the most recent period. As a result the overall gap in the access to formal labor market between top 20% and bottom 20% has been widening.



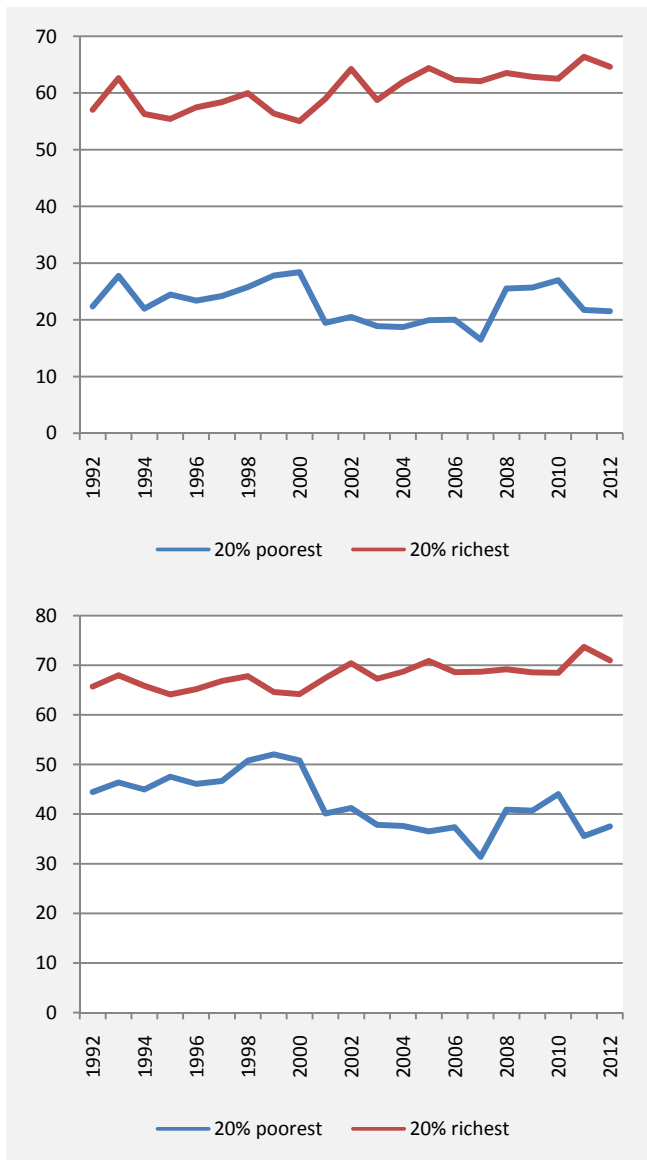


Figure 14. Access to formal labor market (%)<sup>21</sup>

<sup>21</sup> Source: Purnagunawan (2013) and [www.keberpihakan.org](http://www.keberpihakan.org)

## 5 Conclusion

So what is the verdict? Has the increasing prosperity, as measured by standard economic indicator like economic growth or per capita income, in Indonesia over time has been shared by all? In general when the criterion is that almost everyone gets the share of that prosperity through the increase in their income, the answer is 'yes'. Indonesian economic growth over the last 20 years has been relatively high, and poverty incidence has been in decline. This cannot happen when the poor did not benefitted from the growth. With this criterion, we can say that Indonesian economic growth is inclusive.

However, to have a development that also reducing disparity and reducing inequality, the rate of growth in the standard of living of the poor has to be faster than the non-poor. Then we have inequality-reducing growth, or pro-poor growth. From this criterion, the answer is 'no'.

Inequality in development outcome, measured by various indicators such as Gini coefficient, income share, and decile dispersion ratio suggest that, has been on the rise particularly during the last 10 years. The magnitude of the increasing inequality has been quite serious in time comparison (reaching the highest in history) as well as in cross-country comparison.

There seems to be little progress in reducing disparity in inequality of opportunity. Access to formal labor market for the poor has been getting more limited especially in urban areas. The poor has been getting less and less access to higher paying jobs in urban areas. There are also clear signs that the gap in education between the poor and the rich has not been getting better, particularly in the opportunity to access education that guarantee better life like higher education. From health front, similar story can be drawn. Access to clean water has been progressing faster for the top income household, slower for lower income household making it impossible for disparity to decline. These inequality of opportunity is the fundamentals of inequality in earning and development outcome.

So to conclude, Indonesia is facing one of the greatest development challenges, i.e., increasing inequality in many fronts, recently and years ahead. It is one of the greatest challenges because the solution to this problem is less clear-cut than other kind of challenges such as poverty. Reducing inequality involve more collective decision on how this nation allocate resources among groups. The extent to which inequality need to be regarded serious need also to be decided. Political process is important.

From the research point of view, up till now, there has been no clear answers on what are the cause of recent increase in inequality and how to handle them. Let's make them important future research agenda.



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