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Analysis Inequality Income in Indonesia 2020

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ABSTRACT

Income inequality is a reality that exists in the midst of the world community, both developing and developed countries. Income inequality (Gini Index) can cause social turmoil in society such as crime rates etc. The purpose of this study is to analyze income in Indonesia. The research method used is quantitative, with multiple linear regression analysis tools. The data used is secondary data obtained from the Central Statistics Agency in 2020. Quantitative analysis was conducted to determine the factors that influence income inequality in the 2020 period, namely the Human Development Index (HDI) and the Unemployment Rate. parsia, the human development index has a positive and significant effect on income inequality, while the unemployment rate has no significant effect on Gini Index. The implications are expected to be regulations that can improve education, health and per capita income.

Keywords: Gini Index, Human Development Index, Unemployment Rate

JEL Classification: D30, D31, D39

INTRODUCTION

In essence, economic disparities or inequality in income distribution between high-income and low-income groups and the poverty level or the number of people below the poverty line are two major problems in many developing countries (NSB), and this is no exception. in Indonesia. Eliminating inequality cannot be done but can only be minimized to a point that can align with the system that has been set. Therefore, it is not surprising that inequality will always exist, be it in poor countries, developing countries, and even developed countries. It's just that the difference is how big the level of inequality that occurs in each of these countries.

If it is seen that inflation and GRDP affect per capita income in a negative direction, while HDI and minimum wages have a significant effect in a positive direction (Fabian Thiel, 2016). The gap between the poor and the rich in most OECD countries is the highest in 30 years (Cingano, 2014). The income inequality indicator commonly used to measure income inequality is the Gini Index (Voithocsky, 2005). The effect of income inequality is that it can slow down economic growth (Lahouij, 2016). Economic growth as a variable that appears directly to determine the level of welfare, so the one that has a direct or indirect effect on income inequality is the number of working people and investment (Damanik; Zulgani, Rosmeli, 2018).

The fact says that one of the factors that influence income inequality is the pandemic, low-income workers are categorized as the most vulnerable and most affected by the pandemic. The health and economic sectors are the most impacted by this pandemic. The workforce who works in the informal sector are workers who have a great chance of losing their jobs (International Labor Conference, 109th Session, 2021).

There is little doubt that shared power affects income distribution in most countries, but conditions such as this are subject to certain circumstances where idiosyncratic factors have amplified their effects in some cases and offset each other (François Bourguignon, 2017). As a result of income inequality, it will cause an uncontrolled problem so that it is unable to regulate the very unequal global landscape (word social report, 2020). In accordance with data obtained from several OECD countries over the last 30 years, the results from econometric analysis show that income inequality will have a negative impact and will show statistically significant results on future growth. (delsa; elsa, wd, sem2014).

The high level of inequality in the world which is very worrying illustrates the gap between countries. This accounts for three-quarters of the reduction in inequality globally (Era; Dabla, Norris, Kochhar, Suphaphiphat, Ricka, Tsounta, 2015). Economic inequality affects individual performance in a company/organization so that human development in society cannot be achieved, and directly experiences high economic inequality (University of Manitoba, Canada, Ba Puji, 2015). High inequality also threatens to hinder a country's progress in the future, thereby weakening long-term growth prospects (Revalion, 2017).

Indonesia experiences inequality in terms of income, this can be seen from education, wealth and the employment sector which are contributors that experience significant changes in income inequality that occurs in Indonesia. This finding shows that any policy aimed at reducing unequal access to education and finance is important for increasing income inequality in the future (Wicaksono, Amir, and Nugroho, 2017). The results show that income inequality has a positive effect on the level of economic growth (Jianu; Dinu, Huru, Bodislav, 2021).

HDI as an indicator of income growth driving that has a positive influence on income inequality, where human quality is a manifestation to improve living standards (Nurlaili, Cahyadin, 2019). The development problem that exists in Indonesia from time to time is development inequality as a result of the failure of a centralized system that causes the gap between the rich and the poor to widen, the Human Development Index (HDI), one of the factors (Didia, 2015). This shows that income inequality has a positive but not significant effect on HDI (Simarmata, 2019).

Unemployment is partial to poverty and has a positive influence on income inequality in Indonesia, because unemployment is one of the obstacles to the growth of an economy (Hindun; Soejoto, Hariyati, 2019). During the Covid-19 pandemic, Indonesia's economic growth decreased, resulting in a slowdown during the long coronavirus outbreak, while unemployment increased due to layoffs, so it had a positive effect on income inequality (Indayani, Hartono, 2020). The results show that things that can cause unemployment to be classified as variable indicators are income inequality (Sugiyanto, Permadhy, 2020). Based on the above phenomenon, to prove the extent of the influence of each variable in influencing income inequality, the researchers are interested in studying unemployment and income inequality in Indonesia.

LITERATURE REVIEW

Inequality

The Gini ratio describes the level of inequality in the income distribution of the population. A coefficient of 0 means perfect equality. On the other hand, coefficient 1 can be interpreted as perfect inequality. Gini ratio increases in urban areas from 0.391 in September 2019 to 0.393 in March 2020. Likewise in villages from 0.315 to 0.317 in the same period. The Gini ratio increased due to economic pressures during the corona virus or covid-19 pandemic, in Indonesia in March 2020. Incidentally, that month the BPS survey was just taking place, so the impact was immediately reflected in the community.

The increase in the Gini ratio was due to Covid-19 which made the income of the entire community decrease. With a record population income that is below standard, this is reflected in the contribution of expenditure from each community. It was noted that the expenditure of the bottom 40 percent of the population increased from 17.71 percent to 17.73 percent of the total population's expenditure. Meanwhile, the share of the middle 40 percent of the population's expenditure decreased from 36.93 percent to 36.78 percent. Meanwhile, the top 20 percent of the population rose from 45.36 percent to 45.49 percent. In urban areas, the expenditure of the bottom 40 percent of the population is 16.93 percent, the middle 40 percent is 36.94 percent, and the top 20 percent is 46.13 percent. In rural areas, the expenditure of the bottom 40 percent of the population is 20.62 percent, the middle 40 percent is 39.61 percent, and the top 20 percent is 39.77 percent.

By province, BPS noted that there are eight provinces that have a Gini ratio above the national one. First, Yogyakarta 0.434, Gorontalo 0.408, West Java 0.403, DKI Jakarta 0.399, Papua 0.392, Southeast Sulawesi 0.389, South Sulawesi 0.389, to West Papua 0.382. The highest Gini ratio increase again occurred in several regions, starting in DKI Jakarta by 0.008 points from 0.391 to 0.399, while the provinces with the lowest Gini ratio levels were Bangka Belitung Islands 0.262 and North Kalimantan 0.292. Both have a Gini ratio that has not changed from September 2019.

Human Development Index (HDI)

HDI, is a composite indicator to measure the achievement of development of the quality of human life. In 1990, the United Nations Development Program (UNDP) built the index to emphasize the importance of humans and their resources in development. This index is formed from the average achievement of three main dimensions of human development, namely a long and healthy life, knowledge, and a decent standard of living. So the dimensions of longevity and healthy life are measured by life expectancy at birth. The dimension of knowledge is measured by the average length of schooling of residents aged 25 years and over and the expected length of schooling of residents aged 7 years. Meanwhile, the dimension of a decent standard of living is measured by real per capita expenditure adjusted for circumstances. Since 2010 Indonesia's HDI has continued to grow. In 2020, the growth of HDI at the regional national level faces challenges with slowing growth due to the COVID-19 pandemic that hit Indonesia as well as other countries in the world. The slowdown in HDI growth was caused by slower growth in life expectancy and education, as well as a decline in real per capita spending as a result of the contraction in economic growth.

Unemployment

The Covid-19 pandemic has caused the unemployment rate to increase. Unemployment has increased in Indonesia and is dominated by young people aged 20-29 years, this data was obtained by the Central Statistics Agency. The population aged 20-24 years is 17.66% at the Open Unemployment Rate (TPT) in February 2021, this has increased by 3.36% when compared to the previous period which was only 14.3%. The increase in TPT in this age group is the largest compared to other age groups. The second largest increase in TPT is in the population aged 25-29 years. In February 2021, the TPT for this age group was 9.27%, an increase of 2.26% compared to the same period last year of 7.01%.

In terms of education, the highest unemployment rate is experienced by graduates of SMA, SMK, and higher education universities. The TPT of high school graduates rose from 6.69% last year to 8.55% this year. Likewise, vocational school graduates rose from 8.42% to 11.45%, and universities from 5.7% to 6.97%. So there are two main challenges faced in employment due to the Covid-19 pandemic. First, many workers turn to business sectors that have low productivity, such as agriculture. Second, many workers have turned to the informal sector during the pandemic. This addition made the composition of formal workers decrease from 43.36% to 40.38%.

RESEARCH METHOD

This type of research is quantitative associative where the researcher wants to find the effect of the Human Development Index (HDI), on Gini Index and the effect of the unemployment rate on Gini Index. In this study, the data used are secondary data from CSA Indonesia in 2020. The analytical tool used is multiple linear regression with the help of SPSS software.

RESULTS

Based on the test results using multiple linear regression analysis. According to Ghozali, I. (2018) multiple linear regression analysis is an analysis used to see the effect of more than one independent variable on the dependent variable. The following are the results of the t test.

Table 1. t Test

Variable	t Statistics	Sig.
HDI	2,382	0,024
Unemployment Rate	0,501	0,620

Based on the results in the table above, if a mathematical equation is made, the multiple linear regression equation in this model is as follows:

$$Y = 0.234 + 0.002\ X1 + 0.002X2$$

Where : Y = Income Inequality
X1 = Human Development Index
X2 = Unemployment Rate
It means
- If the Human Development Index and the Unemployment Rate constant, then the income is equal to by 0.234
- If the human development index is increased by 1, then income inequality increases by 0.002, and vice versa
- If the unemployment rate is increased by 1, then income inequality increases by 0.002, and vice versa.

DISCUSSION

1. The HDI has on Gini Index
The factor that is thought to influence the high income inequality is the condition of the HDI. The HDI that is not evenly distributed between regions causes a region to have a higher HDI so that it will have good human qualities and can support development and vice versa. In 2010 on the island of Sulawesi there was an increase in income inequality compared to the previous year from 0.34 to 0.39. This shows the change in income inequality criteria from low inequality to moderate inequality. However, in 2010 it was seen that the HDI had decreased. This is contrary to the theory which states that an increase in HDI in one area which is not accompanied by an increase in HDI in other areas will trigger an increase in income inequality (Brata, 2002). One of the important benchmarks in determining the success of economic development is economic growth which describes a real impact of the implemented development policies. According to Schumpeter (Boediono, 2002) The economy is experiencing development if it is interpreted as an increase in community output which is influenced by increasing production factors in the absence of innovation or technological progress. Economic growth should be able to show an increase in terms of trends every year, the higher the economic growth, the faster the changes in the regional economic structure towards an economy that is experiencing dynamic changes, progressing and sustaining so that people's incomes increase and socio-economic inequality can be resolved.

2. The effect of unemployment is not significant on Gini Index.
Mankiw, Quah, & Wilson (2014) define unemployment as someone who temporarily stopped working or are looking for work. Someone who is unemployed is not earn money while he is not working. Unemployment will increase if many groups of workers do not earn income. When many people do not have jobs, group wages will decrease, so inequality in income will increase (Sukirno, 2011). With a situation like this there are steps that require that job vacancies must be provided and must be created according to needs with changes in the number of workers, so that the distribution of income is evenly distributed. To strengthen the explanation above, here are some studies related to the effect of unemployment on Gini Index. In the research of Ukpere & Slabbert

(2009), unemployment increases the level of inequality among the people. Pi & Zhang (2018) reveal that sectoral unemployment in the urban skilled sector results in wider wage inequality, if the labor-capital ratio in this sector is more than one. Efriza (2014) also revealed It was found that the unemployment rate had a positive effect on Gini Index. Then, the findings of Cysne & Turchick (2012) which determine that there is a positive relationship between unemployment and income inequality. Based on the description above, if unemployment increases, income inequality will increase. So, it can be concluded that unemployment can affect income inequality. The relationship between unemployment and income inequality is positive.

CONCLUSION

The results of the analysis show that the HDI has a significant effect on the level of Gini Index in Indonesia in 2020. Meanwhile, the unemployment rate has no significant.

Suggestion

The implications are expected to be regulations that can improve education, health and per capita income. Generally, the policies issued by the government are to provide certainty inherent in individuals, groups and private institutions as well as government institutions to accommodate all the interests of the Indonesian people to achieve per capita income and a decent life.

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DECLARATION OF CONFLICTING INTERESTS

This article has nothing to do with conflicting interest.

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