



## New Government, Classic Problems: A Perspective on Poverty and Economic Inequality

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<http://dx.doi.org/10.18415/ijmmu.v12i4.6488>

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### **Abstract**

Poverty and economic inequality are classic problems confronted by the new government in 2024. The number of poor people in Indonesia is still very high at around 25 million, accompanied by widening economic inequality. This study aims to explore poverty and economic inequality. The research method uses a literature study by collecting various references related to these issues. The research findings show that the poverty rate is still high at 9.03%, and the level of economic inequality is relatively large, indicated by Indonesia's Gini ratio index of 0.379 and the urban Gini ratio of 0.325. The high level of poverty and economic inequality is due to the low level of education, which results in youth unemployment and educated unemployment. The results of this study provide input for the new government in addressing the problems of poverty and economic inequality. This study also recommends that the government adopt a more strategic, inclusive, and comprehensive policy approach to address poverty and economic inequality.

**Keywords:** *Economic Inequality, New Government; Poverty*

### **Introduction**

The process of government transition in Indonesia is carried out in October 2024, the transition process will certainly have a direct impact on the implementation of the next government. The new government that will continue the relay of the Indonesian government will face various challenges and problems, how the formulation carried out will provide solutions to these problems so that the hope is that the programs that have been implemented previously have a positive impact will certainly be continued, as for the fields that have been running well and still require sustainability, of course these fields will be carried out various kinds of development to make them more optimal.

Poverty and inequality are structural problems that will still occur in every government transition, problems regarding poverty and inequality are problems that have long-term effects so that the solutions applied must be comprehensive. The inequality that occurs in Indonesia is still very high, this can be seen from the gini ratio index which is still very wide, so it is possible that this effect will result in a high

poverty rate. The fluctuation of the gini ratio shows that the problem is still vulnerable to occur in every change of government.

The latest data on the poverty rate shows that although there has been a decline in the poverty rate compared to the previous few years, the poverty rate is still relatively high compared to international standards. The Indonesian government continues to try to reduce poverty through various social and economic programs. Social and economic inequality remains a major problem. Despite progress in poverty alleviation, disparities between rich and poor regions, as well as between community groups, persist. Remote and less developed regions often face greater challenges in overcoming poverty. Global economic instability and fluctuations in commodity prices may affect poverty and inequality conditions in Indonesia.

Other factors such as inflation, unemployment, and changes in economic policy can also affect poverty and inequality levels. Inflation is a recurring problem and the impact of rising food and energy prices is felt by the poor and regions with high levels of inequality. Long-term problems in Indonesia will also occur such as slowing and even stagnant economic growth, sub-optimal job creation, an underdeveloped informal sector and the problem of educated unemployment, and premature industries that can lead to greater poverty and inequality.



Figure 1. Gini Ratio Development, September 2017 - March, 2024  
Source: BPS 2024

The Central Bureau of Statistics (BPS) released a report on poverty and inequality in July 2024, which shows that inequality and poverty in both urban and rural areas show a fluctuating trend, meaning that the current approaches are less effective, because the policy instrument approach is not holistic and comprehensive in accordance with the times. Gini ratio data in Indonesia in urban areas in September 2022 amounted to 0.402 which then rose to 0.409 in March 2023 and decreased again in March 2024 to 0.399. Meanwhile, the gini ratio index that occurred in rural areas, among others, in September 2022 amounted to 0.313 and in March 2023 remained at 0.313 and decreased in March 2024 to 0.306. The gini ratio index between urban and rural areas in September 2022 was 0.381 and increased in March 2023 to 0.388 and in March 2024 to 0.379. The fluctuations that occur indicate that the handling of poverty and inequality is still less effective, so a holistic and comprehensive way is needed to reduce poverty and inequality in Indonesia.

Seeing the conditions of the data and facts that occur, it is very important for the Indonesian government to reduce inequality and poverty using the right policy approach. The right policy must be

carried out in a measurable and structured manner, meaning that it is able to answer the problems that occur both now and in the future, so that this policy instrument is expected to be able to encourage the improvement of the community's economy to encourage increased economic growth. Seeing how much influence income inequality and poverty have on economic growth in Indonesia in detail, it is necessary to conduct further in-depth studies on the root causes of income inequality and poverty that currently occur.

The discussion is very important to be analyzed, studied in depth and presented scientifically in order to be an evaluation in overcoming various economic problems and challenges both in the short and long term, besides that the results of this study will provide the right formulation so that the problems of poverty and inequality can be maximally suppressed. So that problems that cannot be predicted, such as the condition of the Indonesian economy which will experience a capital move, facing various kinds of global uncertainty and external vulnerabilities, can be anticipated so that economic conditions remain stable. This article will also explain how classic or old problems will remain a challenge for the new Indonesian government so that there needs to be a fast and appropriate policy so that the transformation process so that the Indonesian economy related to poverty and inequality can be overcome properly.

### Literature Review

This study aims to explore and analyze the challenges faced by the new government in addressing poverty and economic inequality. This study will examine classical and contemporary theories related to these two issues and how the new government can formulate effective policies to deal with them. Poverty is one of the classic problems faced by governments in various countries. Various steps have been taken by governments to deal with poverty, even technological advances have not been able to deal with poor conditions in society.

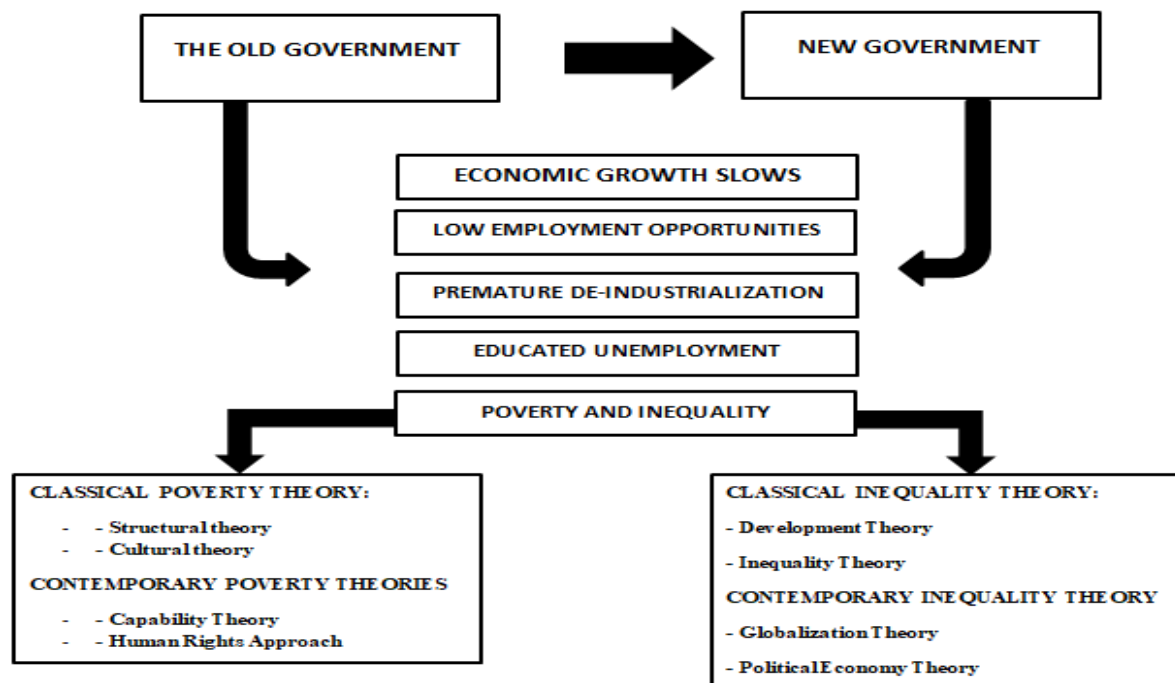


Figure 2. Schematic of Economic Problems of the old and new governments in Indonesia in terms of poverty and inequality theories

Source: Data processed, 2024

In the short term, Indonesia will still face external challenges, such as vulnerabilities stemming from the uncertain global environment and the threat of growing inflationary pressures stemming from rising food and energy prices. In addition, long-term economic weaknesses, such as a slowdown in consumption growth and the creation of more job opportunities, will be a challenge for the Indonesian economy. This research looks to explore issues in the areas of poverty and inequality.

Classical poverty theory is the main theory of poverty which consists of Structural theory where according to this theory, poverty is caused by unjust economic and social structures. These structures create a gap between the rich and the poor. Example: Marxian theory which focuses on inequities in the distribution of wealth and power. In the analysis of this theory, economic inequality causes poverty. In line with research conducted by Vania Grace Sianturi, M. Syafii, & Ahmad Albar Tanjung. (2021) found that population growth rate, human development index, economic growth, income distribution inequality and unemployment rate simultaneously affect poverty. The second theory of classical poverty theory is cultural theory where this approach considers that poverty is not only related to material deprivation, but also to the culture that can perpetuate poverty. For example, the cultural theory of poverty by Oscar Lewis suggests that certain cultures can hinder efforts to move out of poverty. Research conducted in Pidie Jaya supports this theory where the results show that together the variables of culture, human resources, and religion have a significant effect on poverty in Pidie Jaya Regency (Benazir, 2020).

Another theory of temporary poverty is the human rights approach, which considers poverty as a violation of human rights. Access to education, health, and employment are considered fundamental rights that must be fulfilled to overcome poverty. Research conducted in Africa by Ponte Stefano and Brokington (2020) found that some existing measures of rural transformation are inadequate to capture the forms of change that are important to rural communities in Africa. Rural communities in Africa have very limited access to education, health and employment. Based on this theory, the human rights approach can be a cause of poverty.

Economic inequality refers to the unequal distribution of wealth and income in society. Some theories related to economic inequality include: Classical Inequality Theory consists of Development and Inequality Theory (Simon Kuznets) Kuznets argued that economic inequality tends to increase in the early stages of economic development and then decreases with economic progress. This is known as the Kuznets Curve. Contemporary Inequality Theory, consisting of Globalization Theory of Inequality Globalization is often associated with rising inequality, especially in the context of developing countries. This theory explains how global market integration can widen the gap between developed and developing countries. Research conducted by Kulkarni and Gaiha (2021) examining the relationship between inequality and poverty in India found that the consequences of a small increase in income inequality are particularly worrisome for the poorest groups. And Political Economy Theory: Emphasizes how government policies and political power can affect wealth distribution. According to this theory, policies that are biased towards certain groups can exacerbate economic inequality. The case studied by Putri, A. S., Mutmainna, A. Z., Wardoyo, H. F., & Febriansyah, M. R. (2024) shows the concept of strengthening human rights to overcome poverty Official Development Assistance (ODA) from the Canadian government to developing countries and African countries to reduce poverty and strengthen human rights in 2018-2022 is to provide financial assistance called the concept of humanitarian financing.

## **Method**

This article is a normative library research, which examines various sources such as: books, articles, journals, magazines, statistical data, newspapers and relevant media related to the topic discussed. Then the researcher uses the content analysis method in making conclusions that are poured in the form of a written report.

## **Results**

The new government faces the challenge of designing effective policies to address poverty and economic inequality. Some aspects to consider include social and economic policy reforms with redistribution policies and investments in education and health, and inclusive approaches involving communities and public private partnerships. The new government should consider various theories of poverty and economic inequality in formulating policies. A holistic and evidence-based approach is needed to create significant and sustainable change in addressing these issues. By understanding these theories, the new government can more effectively address these classic problems and promote more equitable economic prosperity.

The problem of poverty and inequality is one of the classic problems that often occurs, especially in developing countries such as Indonesia. High economic inequality can exacerbate poverty, while widespread poverty can intensify inequality. For example, if most of the wealth and income accumulates in a small group of people, those below the poverty line will find it increasingly difficult to get out of poverty. To address both of these issues, many countries adopt policies that include increased access to education, improved health systems, labor market reforms, and wealth redistribution policies. A comprehensive and coordinated approach is often required to effectively reduce poverty and inequality. Addressing poverty and inequality is a very complex challenge and requires a multidimensional approach and collaboration between the government, the private sector, and society. With global uncertainty, it is very important to collaborate between sectors that are part of an inseparable whole, this collaboration is also expected to make a positive contribution to reducing poverty and inequality that occurs so that economic growth is maximized.

### **Holistic and Comprehensive Strategy**

Education plays an important role in effectively reducing inequality and poverty by improving individual capabilities and promoting sustainable development. How education contributes to poverty alleviation is through accessible education and skills to increase access to quality education at all levels of society, including scholarship and tuition assistance programs. Training and providing skills training relevant to labor market needs to improve the competitiveness of the workforce.

Economic Development and Infrastructure with job creation by encouraging investment in job-creating sectors, including industry, technology, and tourism. Infrastructure by improving basic infrastructure such as roads, bridges, and public facilities that can facilitate access to markets and essential services. Social Protection Program through social security by developing a comprehensive social security system to protect people from economic risks, such as unemployment, sickness, and pension, while also conducting Social Assistance programs by providing well-targeted social assistance to poor families, including cash assistance and subsidies for basic needs.

Health and nutrition by optimizing public health services by ensuring access to quality health services, especially for those living in remote or underprivileged areas and nutrition education by improving knowledge on nutrition and health to ensure poor families have a nutritious diet. Policy and regulatory reforms by implementing fair tax policies to reduce inequality, including tax progressivity and reducing the tax burden for low-income earners. Labor regulation by implementing and enforcing fair labor regulations to protect workers' rights and ensure living wages.

Community empowerment by engaging community participation by involving communities in decision-making processes and development planning to ensure that their needs and aspirations are taken into account. Entrepreneurship by encouraging entrepreneurship and micro, small, and medium enterprises (MSMEs) through training, access to capital, and business support. Improved governance with transparency and accountability by increasing transparency and accountability in the management of public funds and aid programs to reduce corruption and ensure effectiveness. International Cooperation

with International aid by accepting and utilizing international aid that can assist in development projects and poverty alleviation. Knowledge Exchange by learning from other countries' successful experiences in addressing poverty and inequality.

### **Strategic Area Development**

Other strategic steps taken by the Government of Indonesia in overcoming regional inequality and poverty in economic development are to develop strategic areas that are able to provide long-term effects and increase investment in these areas. Investment is expected to create jobs so that income and economic equality can be well distributed in various regions. Examples of the development of strategic areas outside Java, such as Industrial Estates (KI), Special Economic Zones (SEZ), Free Trade and Free Port Zones (KPBPB), and Priority Tourism Destination Areas (DPP). This step aims to create new sources of economic growth in these areas and reduce inequality between regions.

Special Economic Zones (SEZs) are areas in a country designated for economic development purposes by providing certain facilities, incentives, and conveniences for companies or investors operating in them. The main purpose of SEZs is to attract investment, create jobs, and increase local economic growth. In Indonesia, Special Economic Zones have several main characteristics, Special Facilities such as the government providing various facilities such as tax exemptions, ease of licensing, and infrastructure support. Infrastructure Development i.e. SEZs are usually equipped with modern infrastructure such as roads, ports, and industrial facilities that support business activities, and special regulations i.e. there are special rules and regulations that apply in SEZs designed to facilitate business activities and increase competitiveness. Special Economic Zones (SEZs) can cover a variety of economic sectors, such as industry, tourism, and technology. Examples of SEZs in Indonesia include Batam SEZ, Morowali SEZ, and Sorong SEZ, each with a different focus and potential.

Infrastructure development is one of the main pillars in reducing poverty and economic inequality. The government is also accelerating the National Strategic Project (PSN) program with a focus on regional infrastructure development. Good infrastructure in remote or less developed areas is expected to support industrial development and accelerate economic growth. Other measures include improving oversight of government spending to ensure effective and efficient use of the budget. This includes an increase in capital expenditure to support economic growth in areas that require improved infrastructure and other supporting facilities.

One focus of development is in the Nusa Tenggara region, which is one of the regions with significant economic inequality. Development there is expected to reduce inequality between regions and increase economic growth in the region. Another step is to strengthen regional growth centers, where the government strengthens certain regional growth centers. This step aims to encourage economic growth in areas that have great potential but need more support to reduce inequality with other regions.

### **Discussion**

The results of this study show that poverty and economic inequality occur due to uneven distribution of development, low levels of public education due to limited access to education, and income inequality. Infrastructure development is one of the main pillars in reducing poverty and economic inequality. Several studies also emphasize the importance of access to health and education, infrastructure development, improved data quality and monitoring. Entrepreneurship and employment facilities also need to be a focus to reduce poverty and economic inequality. The new government should provide skills training, access to capital, and other support to help individuals develop businesses and get decent jobs.

## Conclusion

The new government has a major challenge in addressing poverty and economic inequality. The two are interrelated and require an integrated approach to address root causes and not just symptoms. Effective policies will require accurate data, inclusive strategies, and consistent implementation to achieve the desired results. National Strategic Projects (PSN) with a focus on regional infrastructure development. Several studies suggest that education and development in various regions reduce poverty.

## Implication

The findings of this research point to the importance of policies that focus more on economic equity. The new government needs to design programs that not only promote economic growth but also ensure a fair distribution of its benefits, especially for groups of people who are vulnerable to poverty. Education and health are key to reducing poverty and inequality. The implication of the findings of this study is the need for greater investment in the education and health sectors, especially in lagging regions and among underprivileged groups.

## Limitation and Future Direction

This study may have only used certain indicators to measure poverty and economic inequality, which may limit a thorough understanding of the contributing factors. Further research could look at the contributing factors to poverty and analyze economic inequality more comprehensively. For example, adding reforms in the tax system and public spending could potentially help address economic inequality. The government needs to consider more progressive tax policies and ensure that the state budget is allocated in a way that supports poverty and social inequality reduction.

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