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Fighting Inequality for Better Growth

Jakarta, 9-10 August 2017





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THE STUDY OF FOREIGN DIRECT INVESTMENT AND INCOME INEQUALITY IN INDONESIA



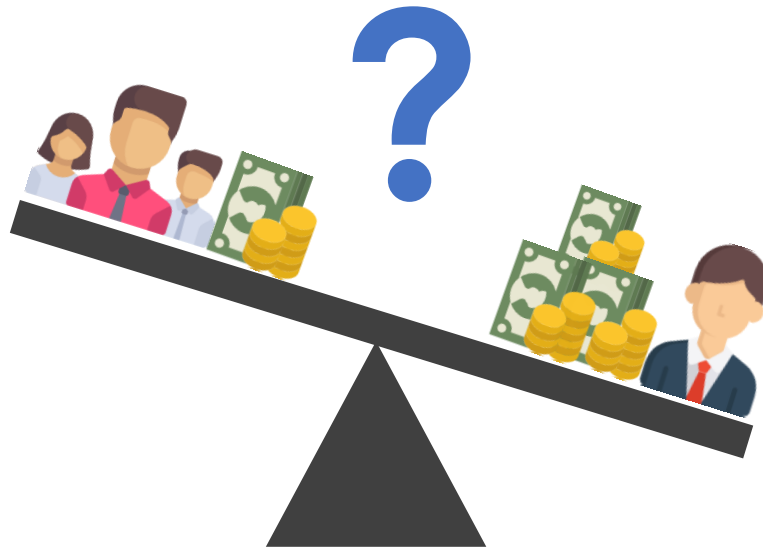


THE STUDY OF FOREIGN DIRECT INVESTMENT AND INCOME INEQUALITY IN INDONESIA

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PREPARED FOR :
INDONESIA DEVELOPMENT FORUM
2017

WHY INCOME INEQUALITY IMPORTANT



01

Persistently high income inequality may harm economic and political stability.

02

Income inequality hampers economic growth (Stiglitz, 2012)

03

Extreme inequality may damage trust and social cohesion and thus is also associated with conflicts (Bardhan, 2005)

04

Higher inequality across individuals and districts in Indonesia potentially increases violence (Tadjoeddin et al., 2014)

HYPOTHESIS QUESTION

What is the **relationship** between FDI and provincial income inequality in Indonesia?



THE **IMPACT** OF FOREIGN DIRECT INVESTMENT ON INCOME INEQUALITY IN INDONESIA

The benefits from FDI are not shared equally among citizens.

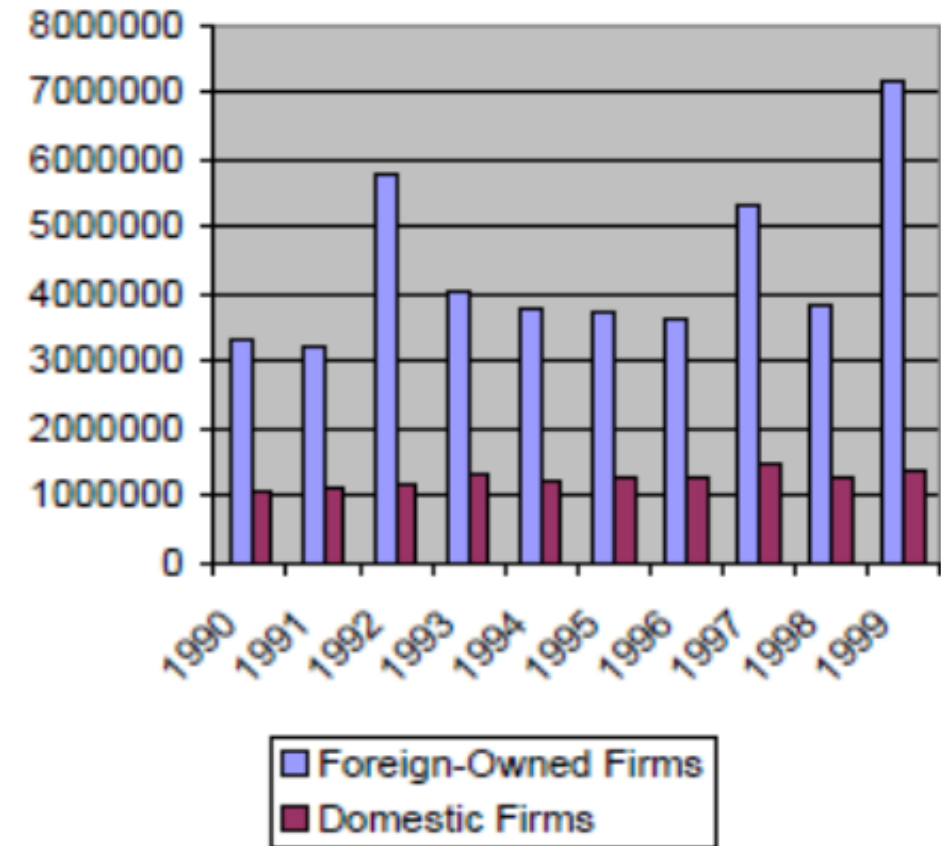
FDI tended to recruit foreign workers or local workers with particular skills, which might not be generally owned by those who were in the surrounding community
(Helmi, 2015).

FDI paid high wages to their hired workers. Foreign-owned companies used high technology so they would retain their workers, given firms' high investment in training
(Helmi, 2015).



BENEFITS

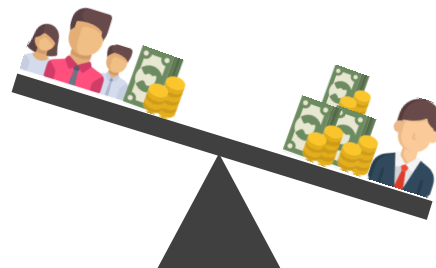
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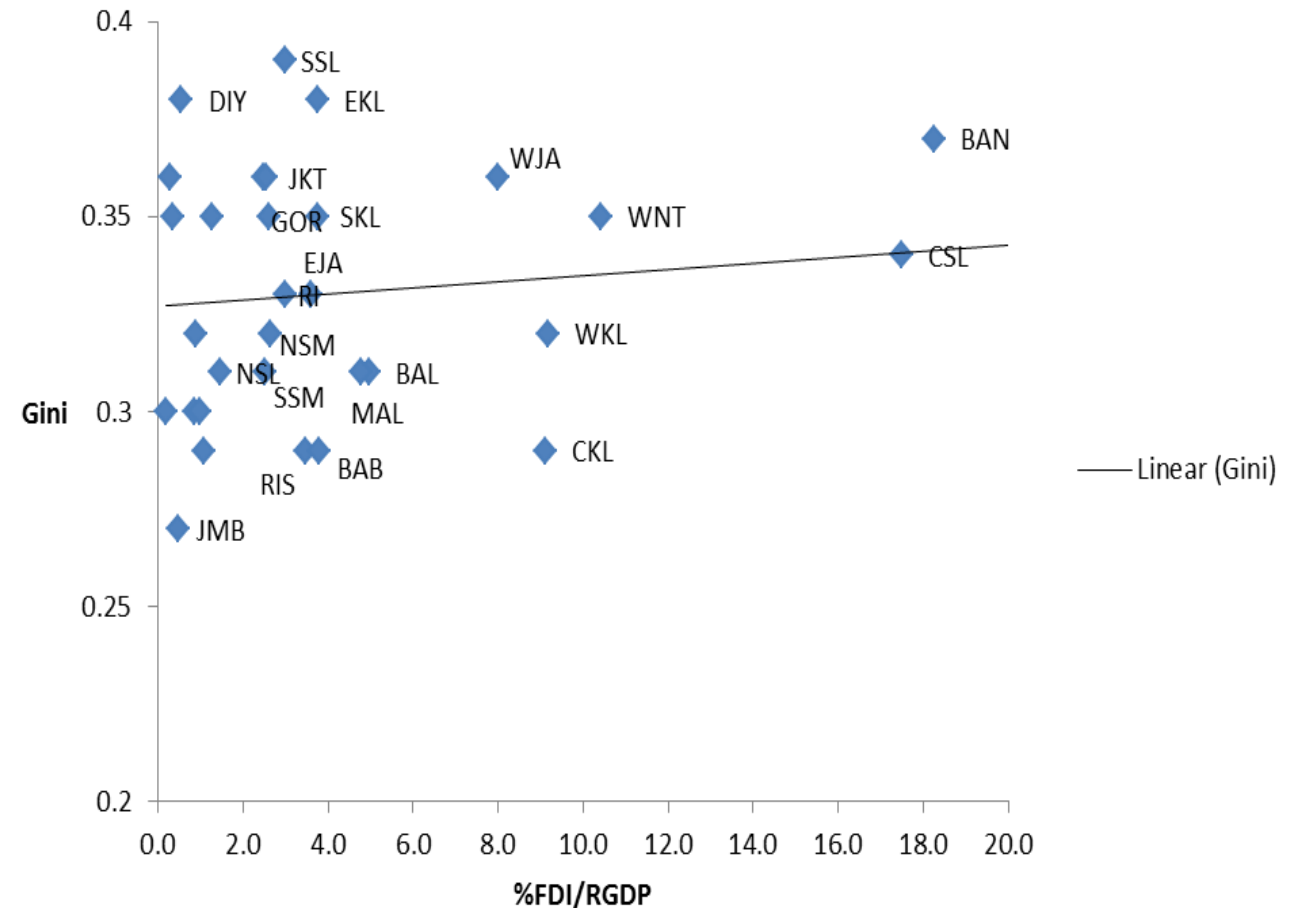
THE **IMPACT** OF FOREIGN DIRECT INVESTMENT ON INCOME INEQUALITY IN INDONESIA

“There is a positive relationship between FDI and Provincial Income inequality”

FDI



Gini vs FDI/RGDP
2013



POLICY IMPLICATION

Government should increase productivity of the workers.



Population 15 Years of Age and Over by Type of Activity

Type of Activity	2009	2010	2011	2012	2013	2014
Unemployment (Million People)	8.962	8.319	8.681	7.349	7.41	7.244
<i>Rate (%)</i>	7.87	7.14	6.56	6.14	6.17	5.94
Less than normal working hours	31.569	33.268	34.588	34.289	37.736	35.767
<i>Underemployment (Million People)</i>	15.395	15.258	13.524	12.77	11	9.68
<i>Part-time workers (Million People)</i>	16.174	18.01	21.064	21.519	26.736	26.087

Source: Statistics of Indonesia, Labor Force Situation in Indonesia



*Kementerian PPN/
Bappenas*

THANK YOU