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Indonesia Development Forum 2017

## **Fighting Inequality for Better Growth**

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# Equality of opportunity in Indonesia

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# This study is about

- Status and trend of equality of opportunity in Indonesia
  - From 2000-2015
- Inequality of opportunities facing those “furthest behind”
  - Multi-dimensional deprivation (poverty) 1994-2014
- Social policies to reduce poverty and inequality
- Recommended area of actions

# Status and trend of equality of opportunities

- It covers inequality in access to opportunities in the areas of education, health, water and sanitation, energy and employment, political participation.
  - comparing the indicators across different groups within Indonesian society (men and women, urban and rural areas, and Java and non-Java regions, between the top 10per cent and the bottom 40per cent)
- Various indicators collected from BPS, WDI, or estimated using SUSENAS data.
- Time-span 2000-2015 (when data allows)

# Highlight: Education

		Mean	Gap Between			
			Male-Female	Urban-Rural	Java-Non Java	Top 10 – Bottom 40%
EDUCATION	Primary net enrollment	High, Improving	Equal, constant	Equal, constant	Equal, constant	Equal, constant
	Secondary net enrollment	Not so high and improving	Equal, constant	Unequal, improving	Equal, constant	Unequal, improving
	Mean years of schooling	Improving	Slightly unequal, persisting	Unequal, persisting	Equal, constant	Unequal, slightly worsening
	Literacy rate	Improving	Unequal, improving	Unequal, improving	Equal, constant	Unequal, improving
	Effective primary-secondary transition rate	Improving	Equal, constant	NA	NA	NA
	Education spending	Constant	NA	Unequal, persisting	Unequal, persisting	Unequal, persisting

# Highlight: Health

		Mean	Gap Between			
			Male-Female	Urban-Rural	Java-Non Java	Top 10 – Bottom 40%
	Life expectancy	Improving	Unequal, widening	NA	Unequal, slightly improving	NA
HEALTH	Malnutrition	Not improving	NA	NA	Unequal, persisting	NA
	Stunting	Not much improved	Relatively equal, constant	NA	Unequal, persisting	NA
	Wasting	Not much improved	Relatively equal, constant	NA	Unequal, persisting	NA
	Physician per 1,000	Improving	NA	NA	Equal, constant	NA
	HIV prevalence	Seriously Worsening	Equal, constant	NA	NA	NA
	Births assisted by skilled staff	Highly improving	NA	Highly unequal, improving	Equal, widening	Unequal, improving
	Improved water source	Improving	NA	Unequal, persisting	Unequal, persisting	Unequal, persisting
	Improved sanitation	Improving	NA	Highly unequal, persisting	Unequal, persisting	Highly unequal, improving

# Highlight: employment

		Mean	Gap Between			
			Male-Female	Urban-Rural	Java-Non Java	Top 10 – Bottom 40%
EMPLOYMENT	Labour force participation	Constant	Unequal, persisting	Rural is higher	Equal, constant	Bottom 40% is higher
	Employment to population ratio	Constant	Unequal, persisting	Rural is higher	Equal, constant	Unequal, closing
	Unemployment	Falling/improving	Equal, constant	Rural is lower	Equal, constant	Equal, constant
	Informality	Stagnant	Unequal, persisting	Unequal, persisting	Unequal persisting	Unequal, persisting
	Self-employment	Falling/improving	Unequal, improving	Unequal, persisting	Unequal persisting	Unequal, persisting

# Status and trend of equality of opportunities: Final remarks

- Although on average, development achievements have been positive in all areas of interest, the analysis reveals mixed progress in terms of convergence between groups.
  - the gap in the number of schooling years between the top 10per cent and the bottom 40per cent has been quite large and seems to be worsening during the last 15 years.
  - In the health sector, inter-regional disparity (both between Java and non-Java, as well as between urban and rural areas) is still large and persists over time.
  - Access to water and sanitation between income groups (the top 10per cent to the bottom 40per cent) is also very unequal.
  - Inequality of opportunity in terms of access to better employment has been one of the hardest dimensions to tackle for contemporary Indonesian development.

# Multi-dimensional deprivation across groups

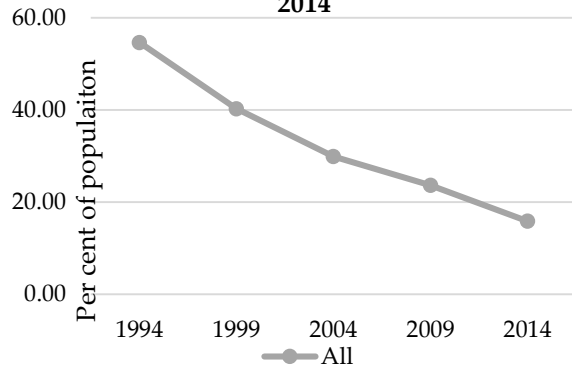
- To find the degree to which “the furthest behind” are deprived in various categories of opportunities.
- The analytical framework borrows the UNDP concept of multidimensional poverty
- It disaggregates multidimensional poverty it into urban-rural areas, Java region - non Java region and eastern Indonesia, female-headed households, and old-age headed households
- Time-span 1994-2014

# Multi-dimensional deprivation

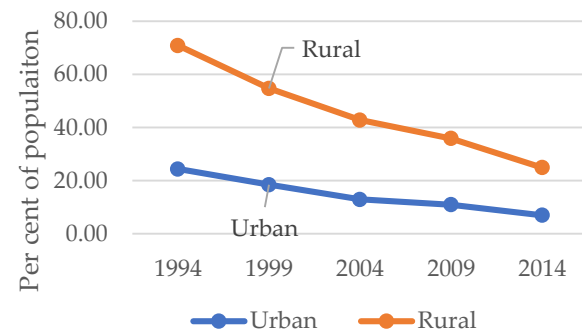
Dimension	Weight	Indicators
EDUCATION (1/4)	1/8	Household head has not completed six years of education
	1/8	Any school-aged children (7-18 years old) are not enrolled at school
HEALTH (1/4)	1/8	Birth is not assisted by skilled health workers <i>Skilled health workers include medical doctors, midwife, and other paramedics</i>
	1/8	Any child never received measles vaccination
STANDARD OF LIVING AND HOUSEHOLD ASSETS (1/4)	1/16	No access to safe drinking water <i>Unsafe drinking water source includes unprotected well, unprotected spring, river, rain water and others as well as water source where the nearest distance to septic tank is less than or 10 meters</i>
	1/16	No access to improved sanitation <i>Inadequate sanitation is not-private or not-shared facility or the type of the toilet is not squatter or its final disposal is not septic tank.</i>
	1/16	Inadequate housing conditions (soil floor, bamboo wall, or roof made of leaves)
	1/16	No electricity
EMPLOYMENT (1/4)	1/12	Unemployed
	1/12	Employed but informal <i>[Informal] is defined as those who work as single self-employed, employer that employ unpaid or casual worker, unpaid worker, or casual workers.</i>
	1/12	Underemployed (working less than 35 hours per week)

# Multi-dimensional deprivation by regions 1994-2014

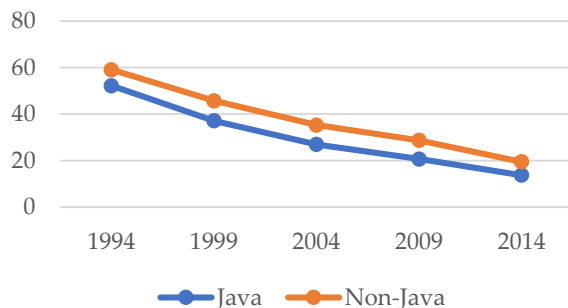
**1a. Multidimensional poverty, 1994-2014**



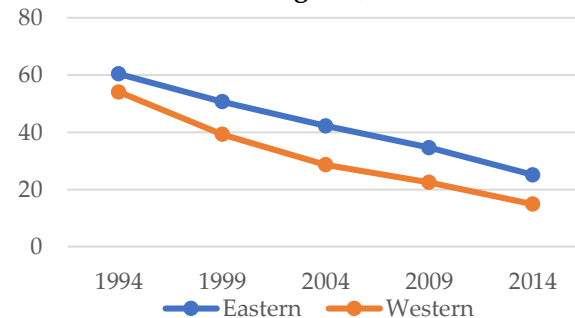
**1b. Multidimensional Poverty, Rural vs. Urban, 1994-2014**



**1c. Multidimensional Poverty in Java vs. non-Java islands, 1994-2014**

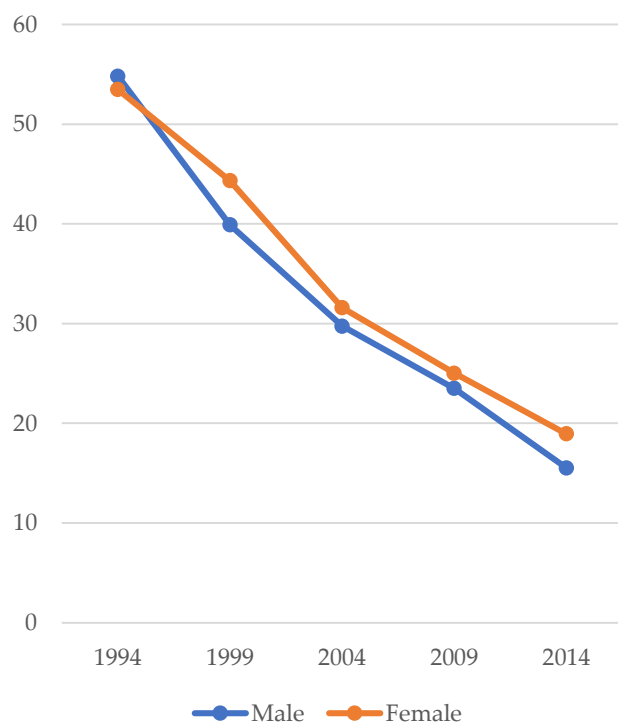


**1d. Multidimensional poverty in Easter vs. Western regions, 1994-2014**

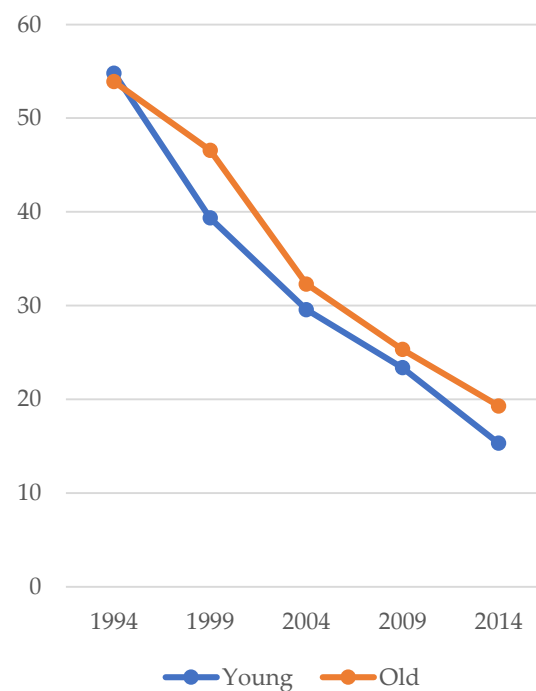


# Multi-dimensional deprivation by gender and age 1994-2014

**2a. Multidimensional Poverty in Male vs. Female-headed Households, 1994-2014**

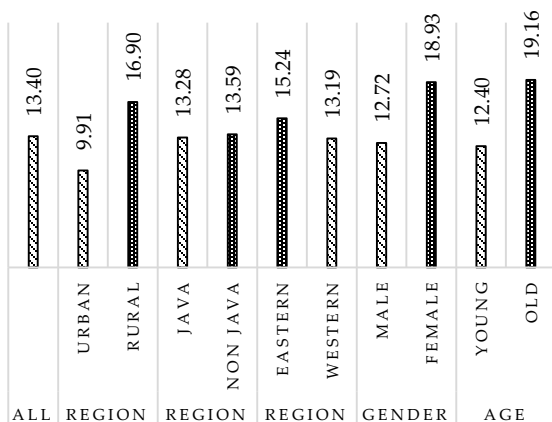


**2b. Multidimensional Poverty in Older vs. Younger-headed Households, 1994-2014**

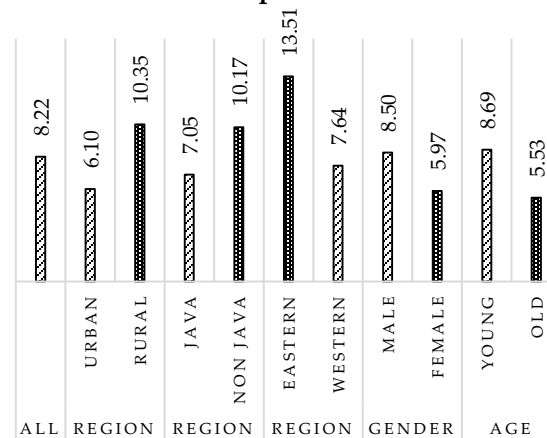


# MDPI deprivation dimensions

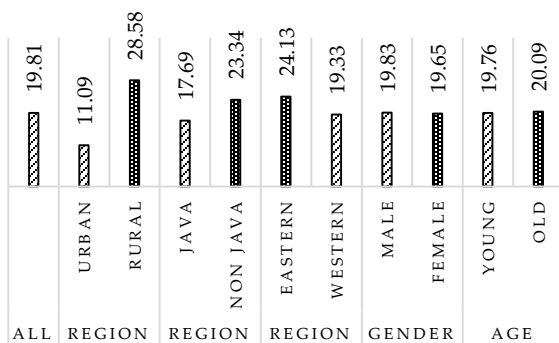
**Figure 3. MDPI - Education deprivation index in 2014 by groups (per cent deprived)**



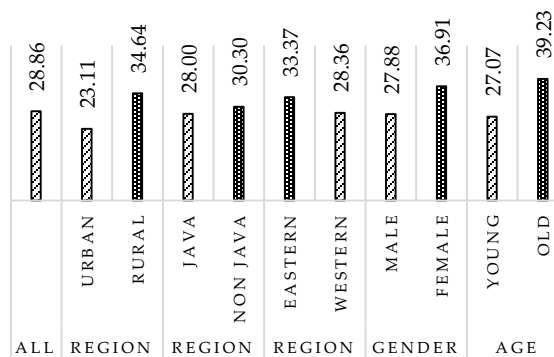
**Figure 4. MDPI - Health deprivation index in 2014 by groups (per cent deprived)**



**Figure 5. MDPI- Living assets deprivation index in 2014 by groups (per cent deprived)**



**Figure 6. MDPI - Employment deprivation index in 2014 by groups (per cent deprived)**



# Multi-dimensional deprivation: Final remarks

- A high degree of inequality of opportunity translates into higher degree of deprivation in various dimensions for certain groups.
- Inequality of opportunity will be higher the larger the proportion of the population denied those opportunities, or put simply, deprived.
- Indonesia has been successful in reducing multidimensional poverty during the past two decades.
- Success, however, has not been balanced between regions as rural residents and those who live outside Java and in the eastern regions are being left behind.
- Women are notably more deprived than men in education and employment dimension.

# Progress in Social policies

- Social policies before the Asian Financial Crisis (AFC)
  - Rural infrastructure, loan schemes for micro enterprises, In-kind benefits
  - Low budget allocation (Daly & Fane, 2002)
- Social policies as a response to the AFC
  - Social safety net programme (JPS)
- Social policies following the AFC, 2000-2014
  - Large cash transfers (2005), Introduction of CCT (2007)
  - Establishment of TNP2K for improved coordination, unification of the national targeting system
  - Introduction of the National Social Security System (Sistem Jaminan Sosial Nasional, SJSN)
- More recent reforms
  - Fuel subsidy reform reduce regressivity of budget

# Recommended area of actions

- Committing to global development targets as a guiding development framework
  - Global long-term development goals are free from the impact of national political cycles that force a more short-term view on policymakers and electorates
- Increasing the share of social spending in national budget
- Scaling up conditional cash transfers for human capital development
  - More studies suggest its effectiveness
- Identification and scaling-up of local government best practices
  - Risma of Surabaya for budgetary reform, Jokowi-Ahok of Jakarta for Education subsidy for the poor (KJP), Ridwan Kamil of Bandung for SME credit scheme (Kredit Melati) are among the few.

# Thank You!

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