Research Article

Employment Inclusion as a Solution to Overcome Poverty and Economic Inequality in Indonesia

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Abstract.
This research aims to explore the impact of employment inclusion on poverty alleviation and income equality, identify gaps in the literature, and provide factors that hinder or facilitate employment inclusion in Indonesia. The challenge of this research is the persistence of poverty and economic inequality in Indonesia, despite the country’s rapid economic growth. A qualitative literature review was conducted to analyze existing studies regarding employment inclusion, poverty alleviation, and income equality in Indonesia. The literature review shows a strong correlation between financial inclusion, economic growth, and poverty reduction, especially in high- and middle-income countries. This report examines the relationship between economic growth and poverty alleviation in Indonesia, the impact of education, unemployment, and poverty on income inequality, and the relationship between government spending, microfinance, and poverty in Indonesia. The results of this research contribute to the existing literature by generating and analyzing key findings on employment inclusion, poverty alleviation, and income equality in Indonesia.

Keywords: employment inclusion, poverty, economic inequality

1. Introduction

Indonesia has experienced rapid economic growth in recent years, but this growth has been accompanied by persistent poverty and economic inequality. This paradox of growth vis-a-vis poverty and inequality presents a significant challenge for the country. To address this issue, it is important to explore potential solutions that can effectively reduce poverty and promote income equality.

The objective of this study is to determine the impact of employment inclusion on poverty reduction and income equality in Indonesia. Employment inclusion refers to the practice of ensuring that all individuals, regardless of their background or circumstances, have access to meaningful employment opportunities. By examining the relationship between employment inclusion and poverty reduction, this study aims to identify the factors that influence employment inclusion in Indonesia.
One potential factor that can contribute to employment inclusion is agricultural performance. While economic growth is often associated with poverty reduction, it has been found that agricultural performance does not have a significant influence on reducing rural poverty in Indonesia [3]. This suggests that other factors may play a more important role in promoting employment inclusion and poverty reduction.

Indonesia is one of the world’s largest producers and exporters of agricultural products, supplying important commodities such as palm oil, rubber, copra, coffee, cocoa, and spices.

Indonesia stands as one of the leading global producers and exporters in the agricultural domain, with significant contributions in commodities such as palm oil, rubber, coffee, cocoa, copra, and various spices. As of 2022, the nation’s GDP growth for the sectors of agriculture, forestry, and fishing was pegged at approximately 2.25 per cent. Recognized as a major agricultural powerhouse on the global stage, over 40 per cent of Indonesia’s workforce is rooted in this sector (Statista on 14 September 2023). The predominant food crops, in terms of harvest area, encompass rice, corn, cassava, soybeans, and peanuts. The World Bank’s 2023 report highlighted that agriculture contributed to 13.7 per cent of the nation’s GDP in 2020, and by 2022, its share in the GDP slightly adjusted to 12.4 per cent (The Global Economy on 28 September 2023).

Another important aspect of poverty reduction is the improvement and development of social protection systems. Comprehensive poverty reduction requires the involvement of various stakeholders, including the central government, regional government, businesses, and communities [21]. By formulating leading principles and improving social protection systems, it is possible to accelerate poverty reduction in Indonesia.

Based on data from the Central Statistics Agency (BPS), in 2019, the Indonesian central government designated 12.3% of its proposed budget towards social protection functions. Several initiatives under the Social Protection Program umbrella in Indonesia encompass the Family Hope Program (PKH), Basic Food Cards, Smart Indonesia Program (PIP), College Smart Indonesia Card (KIP), and Health Insurance Contribution Assistance, 9.97% benefited from the Smart Indonesia Program, and 7.75% were recipients of KPS/KKS.

In March 2021, Indonesia’s poverty rate stood at 10.14%, equating to a total of 27.54 million individuals living below the poverty line (MenkoPMK, 2021)[27]. Through the initiation of various social protection programs, especially those launched during the pandemic, the government aspires to make a significant dent in these poverty numbers.
TABLE 1: Types of Social Protection Programs.

<table>
<thead>
<tr>
<th>Social Program</th>
<th>Type of Social Protection Program (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Raskin/Ratra/BPNT</td>
<td>15.12</td>
</tr>
<tr>
<td>Program Indonesia Pintar</td>
<td>11.66</td>
</tr>
<tr>
<td>KPS/KKS</td>
<td>6.79</td>
</tr>
<tr>
<td>PKH</td>
<td>11.06</td>
</tr>
</tbody>
</table>

Source: (BPS, diakses 28 September 2023)

Financial inclusion is also a crucial factor in promoting employment inclusion and reducing poverty. Studies have shown that lower levels of income inequality lead to higher inclusion, while lack of equality leads to lower inclusion [20]. This suggests that addressing income inequality and promoting financial inclusion can contribute to employment inclusion and poverty reduction.

In 2021, half of the Indonesian youth between 15 and 24 years old indicated they had an account with a financial institution, marking a 5% growth from the earlier survey. Moreover, 52% of Indonesian females aged 15 and above held an account at a financial entity, a 1% uptick from the previous survey’s findings (Statista, 28 September 2023). As for financial indices, Indonesia’s financial inclusion stood at 85.10% in 2022, a rise from 76.19% in 2019. Concurrently, the country’s financial literacy index in 2022 was documented at 49.68%, showcasing growth from the 38.03% recorded in 2019 [2].

Furthermore, the gender gap in the Indonesian world of work is still a concern, and efforts to increase women’s participation and equality in the world of work need to continue. Some of the factors influencing this gap include deep-rooted patriarchal culture in society and inequalities in education and competence.

According to the Central Bureau of Statistics 2022, the percentage of the formal labour force by gender in 2022, male 43.97%, female 34.65% (BPS, 2022). In 2021, 39.52% or 51.79 million of the population aged 15 years and over who worked were women (BPS, 2021). The majority of female workers in Indonesia (28.6%) work as sales-people, followed by the agriculture, gardening, animal husbandry, fisheries, forestry, and hunting sectors (24.38%) (BPS, 2021). The labour force participation rate of women in 2022 was 54.2%, while that of men reached 83.6% [18]. Only 22.10% of companies in Indonesia have female representation in managerial positions. By 2022, the number of women working in the agriculture, plantation, livestock, fisheries and forestry sectors will reach 24.6% [29].
Disability in the world of work in Indonesia still faces various challenges, such as lack of employment, discrimination, and lack of company awareness to recruit disabled workers. Based on data from the Central Statistics Agency in 2021, the number of workers with disabilities in Indonesia reached 7.04 million people. However, this figure decreased compared to 2020, when the number of disabled workers reached 7.67 million people [12].

**Table 2: Government Policy On Employment Inclusion.**

<table>
<thead>
<tr>
<th>No.</th>
<th>Policy</th>
<th>Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Government Regulation Number 70 of 2019 concerning Planning, Implementation, and Evaluation of Respect, Protection, and Fulfillment of the Rights of Persons with Disabilities</td>
<td>The policy aims to improve access and employment opportunities for persons with disabilities, as well as to protect their rights in the workplace.</td>
</tr>
<tr>
<td>2.</td>
<td>Law Number 13 of 2003 concerning Manpower, which affirms women’s rights in the world of work and protection against gender discrimination</td>
<td>This policy affirms women’s rights in the world of work and provides protection against gender discrimination. In addition, this policy also stipulates obligations for companies to provide protection for female workers, such as maternity leave and menstrual leave.</td>
</tr>
</tbody>
</table>

In addition to these factors, economic reforms and social spending can also contribute to poverty reduction and income equality. By implementing targeted political choices and welfare state decisions, it is possible to eliminate poverty and its causes [30]. This highlights the importance of fiscal sector reforms and social safety nets in promoting employment inclusion and reducing poverty.

Microfinance programs have also been found to be effective in addressing poverty and seasonality concerns. Programs like the Programmed Initiatives for Monga Eradication (PRIME) in Bangladesh target the ultra-poor and offer flexible loan repayment schedules, production loans, and other services [19]. By providing access to financial resources and support, microfinance programs can empower individuals and promote employment inclusion.

Cultural competency and diversity in healthcare are also important considerations in promoting employment inclusion. Improving cultural competency and increasing ethnic, racial, and gender diversity in healthcare can contribute to a more inclusive and equitable healthcare system [23]. By addressing these issues at various levels, it is possible to create a more inclusive and accessible healthcare system.

Finally, a bottom-up strategy that focuses on equalizing the interests and welfare of ordinary people can contribute to employment inclusion and poverty reduction [33]. By optimizing the distribution of natural resources and tailoring development efforts to
the specific needs and issues of each region, it is possible to promote inclusive and sustainable development.

Employment inclusion holds great potential as a solution to overcoming poverty and economic inequality in Indonesia. By promoting access to meaningful employment opportunities and addressing factors such as agricultural performance, social protection systems, financial inclusion, gender inequality, economic reforms, microfinance programs, cultural competency, and bottom-up strategies, it is possible to reduce poverty and promote income equality in the country.

2. Methods

2.1. Search Strategy

To conduct a comprehensive literature review on employment inclusion as a solution to overcoming poverty and economic inequality in Indonesia, a systematic search strategy was employed. The following databases were accessed: JSTOR, Google Scholar, and national reports. The key terms used in the search included “employment inclusion,” “poverty,” “economic inequality,” and “Indonesia.” These terms were combined using Boolean operators such as “AND” and “OR” to refine the search results and ensure relevance.

2.2. Selection Criteria

The selection criteria were set to include literature that focused on the impact of employment inclusion on poverty reduction and income equality in Indonesia. The publication year was not restricted, as both recent and older studies were considered to provide a comprehensive understanding of the topic. The type of publication included articles from reputable academic journals. The regional focus was limited to Indonesia to ensure the relevance of the findings to the context of the study. Studies that did not meet these criteria were excluded.

2.3. Data Analysis

A thematic approach was used to analyze the selected literature. The literature was grouped into themes based on the impact of education, the role of unemployment, government spending, microfinance, and their interplay with poverty and income inequality.
in Indonesia. This approach allowed for a comprehensive examination of the factors influencing employment inclusion and its potential as a solution to overcoming poverty and economic inequality.

The literature review revealed several key findings. Firstly, education was identified as an important component of individual development and livelihood choices in rural families [7]. It was found that education has a profound impact on income inequality and poverty reduction. Secondly, government spending and economic growth were found to have significant effects on income distribution inequality in Indonesia [11]. The study highlighted the importance of targeted poverty reduction spending and its efficiency in reducing poverty and income inequality [28]. Additionally, microfinance programs were identified as effective tools for poverty alleviation and promoting employment inclusion [31]. The review also emphasized the need for comprehensive planning strategies and the integration of analytical tools to ensure energy sustainability and economic development [32].

The literature review highlighted the importance of employment inclusion as a solution to overcoming poverty and economic inequality in Indonesia. The findings emphasized the role of education, government spending, microfinance, and comprehensive planning strategies in promoting employment inclusion and reducing poverty. These findings provide valuable insights for policymakers and stakeholders in designing effective strategies to address poverty and economic inequality in Indonesia.

3. Results and Discussion

3.1. Synthesized Findings

The synthesized findings from the literature review provide valuable insights into the relationship between employment inclusion and poverty reduction, as well as the role of various factors in addressing poverty and economic inequality in Indonesia.

Firstly, there is a relationship between economic growth and poverty alleviation in Indonesia. However, it has been observed that economic growth alone is not sufficient to reduce poverty and income inequality [3]. Income inequality, caused by economic structures that do not favour the poor, hinders the equitable distribution of economic growth benefits [3]. This highlights the need for targeted strategies, such as employment inclusion, to ensure that the benefits of economic growth reach all segments of society.
Secondly, education plays a crucial role in addressing unemployment and, consequently, poverty and income inequality in Indonesia [22]. Access to quality education equips individuals with the necessary skills and knowledge to secure meaningful employment opportunities, thereby reducing poverty and income disparities [22]. Therefore, investing in education and promoting equal access to education can contribute to employment inclusion and poverty reduction.

Furthermore, government spending and microfinance initiatives have shown promise in reducing poverty levels in Indonesia [28]. Pro-poor spending, which includes investments in education, health, social protection, and infrastructure, is effective in reducing poverty [28]. Additionally, microfinance programs have been successful in providing financial resources and support to individuals in poverty, enabling them to start businesses and improve their livelihoods [24]. These findings highlight the importance of targeted government interventions and microfinance initiatives in promoting employment inclusion and poverty reduction.

3.2. Gaps in the Literature

While the literature review provided valuable insights, there are still areas that are insufficiently addressed or lacking in empirical evidence. For example, there is a need for more research on the specific impact of employment inclusion programs on poverty reduction and income equality in Indonesia. Additionally, further studies could explore the effectiveness of different types of microfinance initiatives and their impact on employment inclusion and poverty reduction. Moreover, the role of social protection programs and their interaction with employment inclusion strategies could be further investigated. These gaps in the literature present opportunities for future research to deepen our understanding of the relationship between employment inclusion, poverty, and economic inequality in Indonesia.

3.3. Interpretation of Literature

The literature review highlights the potential of employment inclusion as a potent tool for poverty alleviation and bridging income inequality in Indonesia. The findings suggest that employment inclusion, facilitated by factors such as education, financial inclusion, and governance, can contribute to reducing poverty and promoting income equality [10]. Access to quality education equips individuals with the necessary skills and knowledge to secure meaningful employment opportunities, thereby reducing poverty
and income disparities [8]. Financial inclusion, including access to financial services and insurance, has also been found to have a positive impact on poverty reduction [10]. Additionally, good governance plays a crucial role in creating an enabling environment for employment inclusion and poverty reduction [9].

The literature also highlights the challenges and facilitators for employment inclusion in Indonesia. Challenges include limited access to education and financial services, inadequate infrastructure, and unequal distribution of resources [35]. Facilitators for employment inclusion include targeted government policies and strategies, such as pro-poor spending and financial inclusion initiatives [35]. These findings emphasize the importance of addressing these challenges and leveraging facilitators to enhance employment inclusion in Indonesia.

### 3.4. Implications of Findings

The findings have important implications for policies and strategies aimed at enhancing employment inclusion in Indonesia. Firstly, investing in education and improving access to quality education for all individuals can help bridge the skills gap and increase employment opportunities [8]. This can be achieved through initiatives such as vocational training programs and scholarships for marginalized groups. Secondly, promoting financial inclusion and expanding access to financial services can empower individuals to start businesses, invest in their education, and improve their livelihoods [8]. This can be achieved through the establishment of microfinance programs and the development of inclusive financial policies. Thirdly, good governance practices, including transparency, accountability, and the rule of law, are essential for creating an enabling environment for employment inclusion [9]. Strengthening governance mechanisms and promoting inclusive decision-making processes can contribute to reducing corruption and promoting equitable access to opportunities.

Advancing employment inclusion in Indonesia can have significant socioeconomic benefits. It can lead to poverty reduction, as individuals gain access to stable and decent employment opportunities [8]. This, in turn, can contribute to economic growth and development, as increased income levels stimulate consumption and investment [1]. Moreover, employment inclusion can help reduce income inequality by providing equal opportunities for individuals from different socioeconomic backgrounds [8]. This can lead to a more equitable distribution of resources and contribute to social cohesion and stability.
3.5. Limitations of the Study

It is important to acknowledge the limitations of the reviewed literature. Firstly, there may be biases present in the literature, such as publication bias, where studies with significant findings are more likely to be published. This can affect the overall representation of the findings. Secondly, methodological constraints within the reviewed literature, such as the use of aggregated data or limited sample sizes, may impact the generalizability of the findings. Additionally, there may be areas where the findings are inconclusive or contradictory, highlighting the need for further research and empirical studies.

3.6. Future Research Recommendations

To address the gaps and limitations identified in the literature, future research can focus on empirical studies to bridge the identified gaps. For example, more research is needed to assess the specific impact of employment inclusion programs on poverty reduction and income equality in the Indonesian context. Additionally, further studies could explore the effectiveness of different types of microfinance initiatives and their impact on employment inclusion and poverty reduction. Furthermore, research can investigate the role of social protection programs and their interaction with employment inclusion strategies. Future research can also offer insights into potential research methodologies tailored for the Indonesian context, taking into account the unique socioeconomic and cultural factors at play.

The literature suggests that employment inclusion, facilitated by education, financial inclusion, and good governance, can be a powerful solution for overcoming poverty and economic inequality in Indonesia. The findings have implications for policies and strategies aimed at enhancing employment inclusion, including investing in education, promoting financial inclusion, and strengthening governance mechanisms. However, further research is needed to address the gaps and limitations in the literature and provide more robust evidence for the effectiveness of employment inclusion as a solution to poverty and economic inequality in Indonesia.

4. Conclusion

The literature review provides evidence of the importance and potential of employment inclusion as a solution to overcoming poverty and economic inequality in Indonesia. The
findings highlight the role of factors such as financial inclusion, education, and good governance in promoting employment inclusion and reducing poverty levels. Financial inclusion initiatives, such as microfinance programs, have been found to encourage employment and reduce poverty [10]. Access to quality education equips individuals with the necessary skills for employment and contributes to poverty reduction [8]. Good governance practices create an enabling environment for employment inclusion and poverty reduction.

The implications of these findings are significant for policymakers, educators, and financial institutions in Indonesia. Policymakers should prioritize the development of policies and strategies that enhance employment inclusion, such as promoting financial inclusion and investing in education. Collaboration among stakeholders is crucial to intensify efforts toward employment inclusion and poverty reduction. Financial institutions can play a vital role in providing access to financial services and supporting entrepreneurship among marginalized groups. Educators should focus on equipping individuals with the necessary skills and knowledge for employment, particularly in sectors with high growth potential.

While the literature provides valuable insights, there are limitations to consider. Biases and methodological constraints within the reviewed literature may impact the generalizability of the findings. Additionally, there are areas where the findings are inconclusive, highlighting the need for further research and empirical studies.

Future research should focus on addressing the identified gaps in the literature. Empirical studies can provide more robust evidence of the impact of employment inclusion programs on poverty reduction and income equality in the Indonesian context. Further research can also explore the effectiveness of different types of microfinance initiatives and their impact on employment inclusion and poverty reduction. Additionally, research can investigate the role of social protection programs and their interaction with employment inclusion strategies. Future studies should consider the unique socio-economic and cultural factors in Indonesia and tailor research methodologies accordingly.

Employment inclusion holds great potential as a solution to overcoming poverty and economic inequality in Indonesia. The literature emphasizes the importance of multi-stakeholder involvement and collaboration to enhance employment inclusion. By promoting financial inclusion, investing in education, and strengthening governance mechanisms, Indonesia can make significant strides in reducing poverty and achieving greater economic equality.
References


