CHAPTER I

INTRODUCTION

A. Background of Research

Poverty in Indonesia is an issue that remains a daunting challenge for Indonesia. Income inequality and poverty are two interrelated aspects. The Uneven distribution of income would lead to income inequality which is the beginning of the emergence of the problem of poverty. The Phenomenon of poverty and income inequality has become a problem long enough for Indonesia. In another sense poverty is a situation in which a person or household struggle to meet basic needs, while supporting the environment less provide opportunities to improve the welfare of continuously or to get out of the vulnerability (Ade *et al.*, 2007).

In fact, poverty in Indonesia is quite dynamic that is at the time of Indonesia under the leadership of Suharto's New Order regime, Indonesia's poverty rate dropped dramatically in both rural and urban due to strong economic growth and the poverty reduction programs are efficient. During Suharto era poverty line dropped dramatically, from initially around half of the total population of Indonesia, until only about 11 percent, However, when in the 1990s Asian financial crisis occurred, a high poverty rate soared from 11

percent to 19.9 percent at the end of 1998, which means the accomplishments already achieved by New Order destroyed instantly (Wayan, 2006).

World Bank Jakarta (2004) stated that strong economic growth in Indonesia has helped reduce poverty, down to 11.3 percent in 2014, compared to 24 percent in 1999. But the pace of reduction is slowing. The reduction by 0.7 percent points over the last two years were the smallest declines of the last decade.

Table 1.1.
Statistics of Poverty and Inequality in Indonesia

Year	Relative Poverty (% from population)	Absolute Poverty (in a million)	Gini Coefficient/Gini Ratio
2006	17.8	39	-
2007	16.6	37	0.35
2008	15.4	35	0.35
2009	14.2	33	0.37
2010	13.3	31	0.38
2011	12.5	30	0.41
2012	11.7	29	0.41
2013	11.5	29	0.41
2014	11.0	28	-

Source: Bank Dunia dan Badan Pusat Statistik (BPS) 2014

Table 1.1 shows that the national poverty decline gradually in the period 2006 to 2014. The above table also shows the value of the poverty rate in Indonesia, where the Indonesian government uses terms and conditions that are not strictly on the definition of the poverty line, so looks are picture more positive than reality. In 2014 the Indonesian government defines the poverty line with an income per month (per capita) as much as Rp312, 328.00. This

amount is equivalent to $25 which therefore means that the standard of living is very low, also for understanding the Indonesian people themselves. But if you use the value of the poverty line used the World Bank, which classifies the percentage of the Indonesian population living on less than $1.25 per day as those who live below the poverty line, the percentage table above would seem inaccurate because of its value as increase several percent.

BPS uses the concept of ability to measure poverty. By this approach, poverty is seen as an economic inability to meet the basic needs of food and non-food which is measured from the expenditure side. So the Poor is the population had an average monthly per capita expenditure below the poverty line.

On the other side BKKBN (Badan Koordinasi Keluarga Berencana Nasional) has several indicator of phasing prosperous family.

a. Pre-prosperous family (Very Poor) that can fulfill one or more indicators include : 1) Economic Indicators. Eating two or more times a day, have a different outfit for activities (eg, home, work / school and traveling) The widest part of the ground floor of the house not made of soil, 2) Non-Economic Indicators. Conducting Worship if a child shick go to hospital.

b. Family Welfare I (Poor) is the family that for economic reasons can not fulfill one or more indicators include : 1) Economic Indicators. At least once a week the family ate meat or fish or eggs, the last year the whole family to obtain at least one set of new clothes, house floor area of at least 8m2 for

each occupant, 2) Non-Economic Indicators. Regular worship, healthy the past three months, have a steady income, age 10-60 years old can read and write the Latin alphabet, ages 6-15 years of schooling, the child is more than 2 people, doing KB program.

c. Family Welfare II is a family that for economic reasons can not fulfill one or more indicators include : 1) Have family saving, 2) Eat together while communicating, 3) Join community activities, 4) Recreation together (once every six month), 5) Increasing religious knowledge, 6) Achieve the news from news paper, radio, television and magazine, 7) Using public transport.

d. Family Welfare III already can fulfill several indicators, including: 1) Have family saving, 2) Eat together while communicating, 3)Join community activities, 4) Recreation together (once every six month), 5) Increasing religious knowledge, 6) Achieve the news from news paper, radio, television and magazine, 7) Using public transport.

Has not been able to fulfill some of the indicators, including: 1) Actively contribute regularly material, 2) Active as a caretaker community organizations.

e. Family Welfare III Plusalready can fulfill some of the indicators

Include : 1) Actively contribute regularly material, 2) Active as a caretaker community organizations.

Some studies has analized in poverty and the determinants, and which:

a. Andersson *et al*., (2006) studied about Determinants of Poverty in LAO PDR . The variables are consumption expenditure per capita as a dependent variables and also geogrpahic variations, ethnicity and economic growth as a independent variables. They concluded that this paper uses a detailed household survey data to examine the determinants of income and poverty in LAO PDR.

b. Andriopoulou and Tsakloglou (2011) have investigated The Determinants of Poverty Transitions in Europe and the Role of Duration Dependence. The variables are household head, household, employment , and demographic. This study using the European Community Household Panel. They found that the relationship observed between poverty duration and exit or re-entry probability is not spurious. Last but not least, despite the fact that the data used in the paper refer to the late 1990s and the early 2000s,

The author chooses this topic by looking at the poverty phenomenon which remains a big problem around the world especially in Indonesia and also the author see from the description above as a refrence to make this research. The variables in this research are education, age, unemployment, marital status, sex. Therefore, the research aims to analyze the household factors affecting the poverty in Indonesia. The data are collected from Indonesia Family Life Survey (IFLS).

B. Problem Limitation

Poverty until today still be a problem, especially in Indonesia. There are many factors that affect poverty. In this study, researchers used household and individual characteristic variables and also community-level characteristic. Researcher using the data from IFLS, by reason of the respondent in this study is from household respondents. Study limitations aim to restrict the analysis of problems that may occurred.

C. Research Question

Problems of poverty in Indonesia until now still being a serious problems and Based on the background that explained before, then the problem which is going to solve in this paper defined as:

1. How the influence of education on household poverty in Indonesia?

2. How the influence of occupation on household poverty in Indonesia?

3. How the influence of marital status on household poverty in Indonesia?

4. How the influence of sex in a family on household poverty in Indonesia?

D. Objectives of Research

1. To identify the influence of education on household poverty in Indonesia

2. To identify the influence of unemployment on household poverty in Indonesia

3. To identify the influence of marital status on household poverty in Indonesia

4. To identify the influence of sex on household poverty in Indonesia

E. Benefits of Research

The benefits of research on income inequality and poverty in Indonesia in the future are as follows:

1. Empirical Benefits

    Data from Indonesia Family Life Survey (IFLS) especially on similar studies, where IFLS has the advantage, especially in the study of poverty. So this may be contributing to the academic interest as reference material practitioner in developing another research.

2. Benefits for Researchers

    Results of this study are expected to provide additional experience and knowledge about how to write good scientific papers, especially researchers and can be used as a preparation if it will plunge into the community.

3. Policy Benefits

    This research is expected to contribute in particular to the parties in the government who have particular regard to issues of poverty, so that it can reduce poverty in Indonesia specialized in the field of micro economic or households in Indonesia.