MATRXX INDXX OF INCOME VARIETIES OF INDONESIAN LABOR
FORCE AND ITS APPLICATION IN INDONESIA

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ABSTRACT
Matrix Index of Income Varieties (MIIV) is an index, which is developed from the
variety co efficiency and statistic \( \chi^2 \) so that it will produce output totally as shown by
Index of Williamson/Theil, as regionally as Index of Theil, sectorally as Index of Gini.
Besides, Matrix Index of Income Varieties (MIIV) is able to identify which individual/
sector/region influence the draw of income inequalities above or below the average. In
application, MIIV will produce a maximal outcome if it is combined with Labor Force
Productivity Index.

The outcome of MIIV/MIIV in Indonesia shows that the high-income inequalities in
Indonesia are influenced by the contribution of regional economy, regional labor force
contribution, the characteristic of regional economic sector, and regional potentials of
each province.

Keywords: income distribution, total, region, sector, regional sector

INTRODUCTION
The efficiency and effectiveness of be-
tween-region economic performance, has be-
come a very important issue in the study of
spatial economic development. One of the
crucial spatial economic developments is the
income inequalities in region and in inter re-
ion that root from the problem of regional
heterogeneity. But in solving such problem,
often macro indicators that assume homoge-
 nous regional condition are used.

The mentioned macro indicators are repre-
sentative to regional evaluation in general, as
they are of average concept and the spreading
aspect of social economy inside the region and
inter regions. Even in the formula of the peo-
ple's income distribution indicators, it is as-
sumed that the spread of income inside a region
and inter regions is homogenous. The inequal-

1 This paper has been awarded as the third runner up
winner of JIEB's Best Paper Award 2011.

ity of income and people's distribution of in-
come is always most likely to happen. Such
problem takes place because of the heteroge-

neity of geographical position, potentials, and
the level of productivity that take place in
every region (Dumairy, 1999; dan Nurzaman,
1997).

Carlino (1992) and Browne (1989) in
Esteban (1999) state that between-region in-
equality in the United States of America has
something to do with the level of difference of
labor. The between-region income inequalities
take place because one or many of predomi-

nant regions give backwash effect or polariza-
tion effect towards the economic factors of the
less developed regions. It finally results in the
slow economic growth of other regions. To
cope with the between-region income ine-
qualities between the developing regions and
the less developed regions, it is necessary to
pass down regional development policy
(Hirschman, 1968 in Nurzaman, 1997; Schinke,