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MATRIX INDEX OF INCOME VARIETIES OF INDONESIAN LABOR FORCE AND ITS APPLICATION IN INDONESA

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ABSTRACT

Matrix Index of Income Varieties (MIVP) 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/MIVP 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 between-region economic performance, has become 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 region that root from the problem of regional heterogeneity. But in solving such problem, often macro indicators that assume homogenous regional condition are used.

The mentioned macro indicators are representative 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 people's income distribution indicators, it is assumed that the spread o income inside a region and inter regions is homogenous. The inequality of income and people's distribution of income is always most likely to happen. Such problem takes place because of the heterogeneity 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 inequality 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 predominant regions give *backwash effect* or *polarization 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 inequalities between the developing regions and the less developed regions, it is necessary to pass down regional development policy (Hirchman, 1968 in Nurzaman, 1997; Schinke,

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