

ECONOMIC EMPOWERMENT POLICIES TO FIGHT POVERTY AND INEQUALITY

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Abstract

Economic Empowerment Policy to Fight Poverty and Inequality is a comprehensive approach that aims to address two major social problems faced by many countries. The review method in this research uses literature. The results of this study found the importance of access to education, job training, support for micro, small and medium enterprises (MSMEs), and the need for policy reforms that prioritize welfare and social justice as the main keys to achieving economic growth that is not only fast, but also equitable and fair for all levels of society.

Keywords: Policy, Economic Empowerment, Poverty, Inequality.

Introduction

Poverty and economic inequality are two global issues that have long affected various countries in the world, including Indonesia. These two issues not only affect the welfare of individuals, but also the social and economic stability of a country.

Poverty is an economic condition in which individuals or groups do not have enough financial resources to meet basic living standards, including basic needs such as food, clothing, and shelter. (Klitgaard, 2021). The definition of poverty is not only limited by low income or consumption measures, but also includes a lack of access to adequate healthcare, quality education, and broader economic opportunities. This creates a vicious cycle of poverty that is difficult to break, where conditions of poverty are hereditary and become an obstacle to the development of personal and social capabilities (Cramer et al., 2020). (Cramer et al., 2020).

Economic inequality, on the other hand, refers to the unequal distribution of income or wealth between individuals, groups or regions in society. Inequality can be measured through various indicators, such as the Gini coefficient, which measures how far a country's income distribution deviates from a completely equal distribution (Nguyen & Nasir, 2021). (Nguyen & Nasir, 2021).. Economic inequality is often rooted in social,

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economic and policy structures that discriminate against certain groups, limiting their access to educational, economic and political resources. It is not just about differences in income, but also involves unequal access to social and economic opportunities, which in turn hampers the potential for economic growth and social justice (Sinha et al., 20). (Sinha et al., 2022).

Poverty and economic inequality are closely linked to each other in a cycle that is difficult to break. High economic inequality often results in the bulk of wealth and resources being concentrated in the hands of a few individuals or groups, leaving the bulk of the population with limited access to economic opportunities and the means to improve their living conditions. This creates and deepens the poverty gap in society. (Baloch et al., 2020). On the other hand, substantial poverty in a society can exacerbate inequality by limiting the economic and social participation of individuals at the bottom, thereby hindering social mobility and reinforcing existing structures of inequality (Korinek & Stiglitz, 2020). (Korinek & Stiglitz, 2021).. Therefore, interventions aimed at reducing poverty should also simultaneously target the reduction of economic inequality, to create a more equitable and inclusive environment for all members of society.

In Indonesia or globally, statistics show that there is still a wide gap between the upper and lower economic groups. While there has been progress in reducing poverty, the fight against inequality requires a different and more complex approach. (Bracking, 2024).

Economic empowerment policies play an important role in fighting poverty and reducing economic inequality, by providing marginalized individuals and communities with opportunities to improve their skills, access to resources, and potential to participate fully in the economy. (Hailemariam et al., 2020).. Through economic empowerment, underprivileged communities are given the opportunity not only to survive in the current economic conditions, but also to achieve long-term and sustainable economic growth centered on improving quality of life. This policy includes various strategies, such as vocational education and training, access to microfinance services, entrepreneurship initiatives, as well as institutional reforms aimed at creating a more inclusive and equitable business environment (Han et al., 2020). (Han et al., 2020).

By supporting economic empowerment policies, governments and institutions can directly address the root causes of poverty and inequality by seeking equal opportunities for all to succeed. A special emphasis on women's empowerment, for example, can have a significant impact on reducing household poverty and boosting economic growth, as women often play a key role in managing family resources (Wan et al., 2021). (Wan et al., 2021). Economic empowerment also encourages innovation and entrepreneurship that can create jobs, thereby reducing reliance on informal or low-wage jobs often held by the poor. As a result, economic empowerment policies not only help individuals to move out of poverty, but also contribute to the formation of a more resilient, competitive, and economically dynamic society (Korosteleva & Sta., 2021). (Korosteleva & Stępień-Baig, 2021).

By understanding this background, this research further discusses the economic empowerment policies for the phenomenon of poverty and inequality and the policies that should be taken.

Research Methods

The study in this research uses the literature method. The literature research method is a systematic approach to research devoted to collecting, reviewing, and analyzing scholarly publications relevant to a particular topic or research question. This research generally does not involve the collection of new primary data, but rather focuses on synthesizing and interpreting findings from previous studies that have been published in the form of books, scientific journal articles, research reports, dissertations, and other reliable sources. (Moleong, 2019); (Barlian, 2018); (Suprayogo & Tobroni, 2003).

Results and Discussion

Concepts of Poverty and Inequality

Poverty is an economic condition in which individuals or groups do not have enough resources or income to meet basic needs, such as food, shelter, and health care. Measures of poverty can vary depending on the specific context of a country or region. (Soergel et al., 2021).. Generally, international standards such as the World Bank poverty line of USD 1.90 per day are used to measure extreme poverty globally. In addition, individual countries may have national definitions and poverty lines that reflect local economic conditions and living standards (Lustig, 2023). (Lustig, 2023).

Inequality, on the other hand, is the unequal distribution of assets, income and opportunities between different groups in society. The main indicator used to measure inequality is the Gini coefficient, where a value of 0 indicates a perfectly equal distribution (no inequality) and a value of 1 indicates perfect inequality, where one person controls all income (Adeleye et al., 2020). (Adeleye et al., 2020).. Inequality can be seen in various aspects, including income, wealth, education, and access to healthcare, with long-term consequences that can affect a country's social stability and economic growth. Inequality often deepens the problem of poverty, creating a cycle that is difficult to break without effective policy interventions (Hassan et al., 2020). (Hassan et al., 2022)..

The Dynamics of Poverty and Inequality

Poverty dynamics refer to the changes in poverty status experienced by individuals or groups over time. It looks not only at the static picture of poverty, but also at how people move in and out of poverty due to various factors, such as changes in the labor market, economic crises, changes in social policies, or life events such as illness or job loss. (Saunders, 2020). In many developing countries, most poverty is chronic, but there is also transient poverty that occurs due to economic fluctuations or natural disasters. Understanding the dynamics of poverty is important for designing effective interventions and targeting the groups that really need help (Haan et al., 2020). (Haan et al., 2022)..

Inequality, meanwhile, can change over time and is shaped by economic, political and social factors. Some countries may experience improvements in a more equitable distribution of income along with economic growth and the development of effective policies, such as progressive taxation and investment in public services. However, inequality may also increase if the benefits of economic growth accumulate in the hands of certain groups. The dynamics of inequality are also influenced by globalization, technological progress, changes in economic structure, and fiscal policy. Attention to social and economic justice is key in managing inequality amidst these global dynamics. (Khan et al., 2022).

To effectively address poverty and inequality, policies must be designed with an understanding of long-term dynamics. Short-term programs may offer emergency relief, but without a long-term plan that focuses on skills upgrading, job creation, and fairer income distribution, these problems will continue. (Omar & Inaba, 2020). Supporting education and vocational training, strengthening social security, and creating employment opportunities can help individuals and groups move out of poverty in a sustainable way. Stable and transparent governance, as well as fair and inclusive policies, are also crucial in reducing inequality and ensuring that every segment of society can contribute to and benefit from economic growth (Zhao et al., 20). (Zhao et al., 2022)..

Economic Empowerment Policy

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In dealing with the dynamics of poverty and inequality, collaboration between sectors is crucial. The private sector, government, and non-profit organizations need to work together to create innovative solutions. This could include partnership programs that support micro, small, and medium-sized enterprises to expand access to markets and technologies; policies that support social innovation and entrepreneurship; and investments in employment-intensive sectors to reduce unemployment. (Tchamyou, 2021). In addition, the importance of human-centered approaches that respect environmental sustainability cannot be overlooked, as poverty and inequality are often exacerbated by environmental degradation and climate change.

The role of education and health as foundations in the fight against poverty and inequality cannot be underestimated. Investments in quality education and affordable and inclusive health services are crucial in ensuring that every individual has equal opportunities for success and prosperity. Policies that support gender equality and equal rights for women and men in all sectors of life are another important aspect of addressing inequality. (Brown & James, 2020).

In conclusion, overcoming poverty and inequality requires a comprehensive and sustainable effort that involves all elements of society. Policies must be based on a deep understanding of the dynamics of poverty and inequality, and must be flexible and adaptive to changing circumstances. Improving access to basic services such as education and health, promoting gender equality, and supporting social and economic innovation all play a role in creating a more just and prosperous society. With dedication and collaboration, it is possible to reduce poverty and inequality in the world.

Factors Causing Poverty and Inequality

Poverty and inequality are complex problems triggered by various factors. One of the main causes is the imbalance in the distribution of economic resources and opportunities. In many regions, income and wealth are concentrated in the hands of a small group of people, while the majority struggle to meet basic needs. (Sarkodie & Adams, 2020). Inequitable access to quality education and health services also widens the poverty and inequality gap. Low quality education and limited access to health facilities limit the ability of individuals to improve their well-being and contribute productively to the economy (Sedai et al., 2020). (Sedai et al., 2022)..

Unemployment and low-quality jobs are other factors that exacerbate poverty and inequality. Lack of decent work opportunities and job instability mean that many individuals cannot earn enough to support themselves and their families. On the other

hand, rapid technological development, while opening up new economic opportunities, sometimes also causes shifts in the labor market that favor those with the skills and resources to adapt, leaving others behind. (Acheampong et al., 2021).

Discrimination and social exclusion also contribute to poverty and inequality. Marginalized groups such as women, ethnic minorities and people with disabilities often face systemic barriers in accessing education, employment and other economic resources. (Igawa & Managi, 2022). This not only weakens their capacity to move out of poverty but also reinforces intergenerational cycles of inequality. In addition, conflict, political instability and natural disasters exacerbate conditions for already vulnerable communities, often destroying critical infrastructure and wiping out the economic progress that has been achieved (Hassan et al., 2022). (Hassan et al., 2022)..

Finally, public policies and governance systems can play a crucial role in addressing or exacerbating poverty and inequality. Ineffective policies or corruption in the management of state resources can divert resources from programs intended to support the neediest citizens (Singh & Chudasama, 2020). Similarly, an unequal taxation system can exacerbate inequality by putting more pressure on lower income groups while allowing the richer to increase their wealth. Therefore, addressing poverty and inequality requires a comprehensive approach that not only corrects the symptoms but also addresses the root causes of the problem.

Conclusion

Economic empowerment policies are a crucial strategy in the fight against poverty and inequality. Through the implementation of policies designed to increase access to education, job training, and financial resources, vulnerable individuals and communities can be empowered to improve their own living conditions. In addition, economic empowerment also aims to increase equality in access to economic opportunities, so that every member of society has the ability to compete fairly in the labor market. This approach recognizes the importance of ensuring that all people, regardless of their socioeconomic background or status, have the tools they need to succeed.

The implementation of economic empowerment policies also requires reforms in the tax system and equitable social policies. This includes the development of adequate infrastructure and public services, enforcement of regulations in favor of social justice, and support for micro, small and medium enterprises that are the backbone of many countries' economies. Policies should be geared towards removing barriers faced by marginalized groups and integrating them into the economic mainstream. By providing incentives for companies to adopt more inclusive practices and support equitable economic growth, governments can reduce inequality and strengthen economic foundations.

Thus, effective and inclusive economic empowerment policies are key to addressing poverty and reducing inequality. This requires a long-term commitment from governments, the private sector, and civil society to work together to build a more just and prosperous society. With a focus on education, training, access to finance, and policy

reforms, economic empowerment measures can strengthen the resilience of individuals and communities, enabling them to contribute more effectively and sustainably to inclusive economic growth.

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