

THE INFLUENCE OF MINIMUM WAGE AND POPULATION SIZE ON INCOME DISTRIBUTION DISPARITY AND COMMUNITY WELFARE IN REGENCIES/CITIES OF BALI PROVINCE

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Abstract: Bali Province, as one of the provinces in Indonesia, experiences income distribution disparity across its regencies and cities. Uneven income distribution negatively affects the overall welfare of the population in the province. This study aims to: (1) Analyze the influence of minimum wage and population size on income distribution disparity; (2) Analyze the influence of minimum wage, population size, and income distribution disparity on community welfare; and (3) Analyze the indirect influence of minimum wage and population size on community welfare through income distribution disparity. The data used are secondary data obtained from the Bali Provincial Statistics Agency (BPS), with a total of 135 observation points. The analytical method employed is path analysis. The results of the study show that: (1) Minimum wage and population size have no significant effect on income distribution disparity; (2) Minimum wage, population size, and income distribution disparity have a positive and significant effect on community welfare; (3) Minimum wage and population size do not have an indirect effect on community welfare through income distribution disparity.

Keywords: minimum wage, population size, income distribution disparity, community welfare

INTRODUCTION

One of the main issues frequently faced by developing countries, including Indonesia, is economic inequality. This inequality is reflected in the disparity in income distribution between high-income and low-income groups (Wahyuni & Andriyani, 2022). In many cases, the economy is dominated by a small group of capital owners, with the upper-income groups increasingly benefiting from economic growth. This condition contributes to the persistence of poverty and the widening of socio-economic disparities (Muthia, 2019).

Following the 1997–1998 economic crisis, income inequality in Indonesia tended to increase. Compared to the previous decade, Indonesia experienced the fastest growth in inequality among Southeast Asian countries. In 1990, the wealthiest 20% of households consumed 38.9% of total national expenditure. By 2014, this figure had worsened, with the top 20% consuming nearly half of total national expenditure (47.4%). More concerning was the declining consumption