

Indonesia needs a new approach to fighting inequality

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After massive protests against the controversial revision to the Indonesian Military (TNI) Law in March, President Prabowo Subianto's administration faced another wave of mass demonstrations last week. Economic disparities between the elites and the people, among other issues, became a salient concern. Unless adequate measures are taken to address the problem, people will again take to the streets demanding bold changes in the government's policies.

It started with a local protest in Pati regency, Central Java, in mid August. Amid the deteriorating economy, the regent's decision to raise the property tax faced fierce resistance from the residents. The protest spread to Jakarta as people from other regions raised the same concerns. News about the increased housing allowances for members of the legislature further deepened people's dissatisfaction with the current situation and led them to the streets. Demonstrations escalated and became a nationwide protest after the death of ojol (online motorcycle transportation driver) Affan Kurniawan, who was hit by a police vehicle on Aug. 28 in Jakarta. In many places, riots broke out and caused serious damage to public offices, especially local legislature buildings and police stations.

In Jakarta, people even looted the house of some members of the legislature and the Finance Minister. President Prabowo's and the legislature's immediate responses to the protest did not necessarily calm the people. While the demonstrations indeed stopped last week, people issued the widely shared 17+8 People's Demands, which, among other things, demand improvements in economic policies. The President's and the legislature's responses only partially addressed the problem, not its root causes. Economic disparities, which led the people onto the streets, and were explicitly articulated in the protest, have not been explicitly addressed in the government's responses.

On several occasions, Prabowo has acknowledged that inequality remains a problem for Indonesia. A few months ago, at the St. Petersburg International Economic Forum 2025, he stated that while Indonesia enjoyed steady growth of over 5 percent per year in the last several years, there was no trickle-down effect on society. "The wealth remains concentrated in the top 1 percent. And this is not the formula for success". Yet, no single word about inequality has been stated by President Prabowo recently.

To some extent, inequality has been mentioned as one of the government's priorities since former president Joko "Jokowi" Widodo's era. Jokowi launched the Economic Equity Policy, which relied on three pillars: agrarian reforms, economic opportunities and human development (vocational education and training). The government also enhanced the country's social protection policies as part of its efforts to defeat poverty and reduce inequality.

According to Statistics Indonesia (BPS), Indonesia's Gini Index, which measures economic inequality, declined under Jokowi's administration. The Gini coefficient dropped from 0.41 in September 2010 to 0.389 in March 2018 and 0.375 in March 2025. Yet, the nationwide mass protests voicing

widespread economic grievances emerging after these statistics suggest a serious problem with this number.

Most strikingly, Indonesia's Gini Index is based on household expenditure rather than incomes or wealth. While it still captures welfare differences based on household spending on goods and services, the index tends to underestimate the true level of inequality. Expenditure inequality is a conservative measure of inequality as it does not capture disparities in income or wealth. According to Credit Suisse's Global Wealth Report 2018, Indonesia was the fifth most unequal country in the world. The report indicates that the 1 percent richest people in Indonesia controlled 47 percent of the national wealth. While the figure was lower than that of 2015 (54 percent), it is higher than the proportion in 2010 (32 percent). This indicates a significant increase in wealth inequality in the country over the last decade and a half.

Indonesia needs a new approach to combating inequality. Unlike the previous approach, which relied more on social protection, the new approach should address both the socio-economic and political dimensions of inequality. Bold reforms are necessary for Indonesia to enhance its distributive and redistributive policies and to strengthen the political standing of the people in the country's political system.

Indonesia needs to deepen its social policies to protect not only the poor and vulnerable groups but also the middle class. This requires the government to pursue more difficult redistributive policies. Besides broad policies such as quality public education and health care, they include financial and economic support such as skills training and unemployment benefits (social insurance for job loss), and an old-age pension system.

Significant changes in Indonesia's fiscal policy are needed. So far, increases in social protection spending are lower than those in the security sector. Police expenditure, for instance, rose from Rp 26 trillion in 2009 to Rp 139 trillion in 2025, a more than fivefold increase. Defense spending soared from Rp 35 trillion to Rp 245 trillion in 2025, a sevenfold increase. Social protection spending also increased, although at a much lower rate. It increased from Rp 207 trillion in 2009 to Rp 505 trillion in 2025, a less than two-and-a-half time's increase during the same period.

Agrarian reforms are another crucial bit of homework left by the previous administration. Jokowi promised to redistribute 9 million hectares of land for small farmers. Yet, the administration focused on land titling (certification) instead. Indeed, agrarian conflicts increased as Jokowi's land policies prioritized investors and large businesses.

In the political realm, bold reforms are needed to open more political spaces for the people, especially the poor and marginalized groups, to articulate their interests. Besides eliminating the repressive measures of the state security apparatus demanded by the protesters, political reforms are needed to democratize political parties and strengthen the representation of the people in those parties. Political parties should represent the interests of the people rather than merely those of the political and economic elites.

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