

ABSTRACT

The development approach nowadays tends to be by sector. The sectoral imbalance occurs due to the excessive support of the government towards specific sectors that results in difference of efficiency and productivity among different sectors. In micro evaluation, the sectoral imbalance also points out the income imbalance between economic agents working for one sector and those working for other sectors. In the development context, which is aimed at prosperity of the people, the raising income is not enough; it must also improve upon the welfare of the poor. The understanding of income imbalance can be done by seeing the relationship model of the economic growth and imbalance itself. Researches on the relationship between economic growth and imbalance have long been done and have broadened after Simon Kuznets (1955) revealed the theoretical relationship between economic growth and income. The researches resulted in contradictive conclusions on the relationship between economic growth and imbalance.

This research is aimed at inquiring the development of sectoral imbalance and the influence of per capita PDRB towards sectoral imbalance in Central Java. Imbalance in this research is measured with L-index using PDRB data and labour force of nine working fields in 35 regencies/cities in Central Java from 1995 until 2008. The imbalance model is built based on Kuznets Model as improved by Jih Y Chang and Rati Ram (2000) using per capita PDRB variables of the nine working fields from 1995 until 2008. As the basic analysis in this research fixed effect model is used.

This research results contradictive findings with Kuznets' hypothesis, that is, within short-term the per capita PDRB has significant effect on the sectoral imbalance where any raise of per capita PDRB lowers the sectoral imbalance. Within long-term the per capita PDRB has significant effect on the sectoral imbalance where any raise of per capita PDRB increases the sectoral imbalance. The component causing the height of sectoral income imbalance is the imbalance within sectors, while the imbalance between sectors is relatively small. The highest imbalance within sectors is in agriculture, followed by industry and trade. The imbalance in construction, service, transportation and communication sectors is relatively low. Meanwhile the imbalance in electricity, gas, clean water and mining is the lowest. While the imbalance contribution among sectors is relatively low, agriculture sector gives very high contribution towards the increase of imbalance, whereas industry gives the highest contribution towards the decrease of sectoral imbalance. The service sector gives relatively high contribution towards sectoral imbalance, while trade, monetary, mining, electricity, gas, clean water, transportation, communication and construction sector give contribution towards imbalances between sectors although not too high.

Key words: imbalance, income, sectoral, Kuznets, growth, economy