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SEM-PLS: Predicting Community Welfare and Unemployment Using Income Inequality

Ahmad[1]✉, [2]Muhammad Armawaddin

[1,2]Faculty of Economics and Business, Halu Oleo University

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Abstract

This study investigates the complex theoretical relationship between income inequality, open unemployment, and social welfare using SmartPLS 3.0 structural equation modeling tools. The data consists of a panel dataset, which includes cross-sectional data from the provinces of Sulawesi Island (Gorontalo, South Sulawesi, North Sulawesi, Central Sulawesi, Southeast Sulawesi, and West Sulawesi) and time series data spanning from 2010 to 2022. The data are sourced from secondary data provided by the Indonesian Central Statistics Agency. The results of the outer model test indicate that only the manifest variables—the Gini ratio and the unemployment rate in West Sulawesi—are not valid and reliable. The inner model test results demonstrate that income inequality and open unemployment negatively and significantly impact community welfare, while income inequality positively and significantly affects the unemployment rate. Based on these findings, it is recommended that policymakers and practitioners design and implement policies aimed at reducing income inequality and addressing unemployment issues. Such efforts are expected to impact the overall welfare of communities across Sulawesi Province positively.

✉ Corresponding author :
Address: Faculty of Economics and Business, Halu Oleo University
E-mail: ahmad@uho.ac.id

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INTRODUCTION

The discussion of societal well-being is inherently linked to the underlying concepts and theories that shape our understanding of it. One such theory is the socio-economic theory, a conceptual framework that integrates social and economic dimensions to analyze and explain societal phenomena. This theory emphasizes the interrelationship between economic structures and social conditions. Key characteristics of socio-economic theory include a focus on economic inequality, wealth distribution, the role of the state, and the societal impact of economic policies.

This research explores the effects of income inequality on open unemployment and public welfare. By examining these relationships, the study aims to deepen our understanding of how income inequality influences unemployment rates and overall societal well-being. The findings will provide insights into the economic dynamics at play, particularly the role of income inequality in shaping unemployment trends and the public's welfare.

Soler et al. (2018) developed a dynamic model that integrates welfare and economic factors related to unemployment, while Cysne (2004) identified a positive correlation between income inequality and unemployment. Schneider (2016) discussed the uncertain impact of income inequality on subjective well-being, and Dosi, Pereira, Roventini, & Virgillito (2018) indicated that labor market reforms could exacerbate unemployment and income inequality. These studies suggest that income inequality can significantly influence community welfare and open unemployment, with important implications for policy and practice.

Sen (1999) emphasized that systemic factors in the global economy could exacerbate unemployment rates and, consequently, increase income inequality at the national level. The World Bank (2020) identified the relationship between unemployment rates and income distribution as a crucial indicator of a country's economic welfare. However, various external factors can influence this complex relationship, including government policies, education levels, and local labor market dynamics. Atkinson (2015) posited that high-income inequality can hinder the achievement of equitable well-being, supporting the notion that economic inequality can obstruct the realization of Sen's concept of welfare and freedom. This suggests that income inequality may impede individual freedom and overall well-being.

According to this theory, welfare is measured not only by material aspects but also by individuals' freedom to lead meaningful lives and make choices. High levels of income inequality can hinder individuals from achieving this freedom, thereby impacting their welfare. Alkire and Foster (2011) emphasize that the relationship between income inequality and welfare is influenced by contextual factors such as government policies, education levels, and the availability of social services.

This research employs a structural equation modeling approach, constructing the relationships between variables based on the well-being theories of Soler et al. (2018), Atkinson (2015), and Sen (1999), supported by empirical findings from the study by Chetty, Hendren, Kline, & Saez (2014). This study reveals how disparities in income and opportunities within a region can influence economic mobility across generations. Cysne (2004) identifies a positive correlation between income inequality and unemployment. Studies by Bilan, Mishchuk, Samoliuk, & Yurchyk (2020) and Nina & Rustariyuni (2018) show significant income inequality affects well-being. Findings from Anwar (2023), Wirawan (2018), Ahn, García, & Jimeno (2004) indicate a significant effect of income inequality on unemployment, while research by Pratama (2022) yields non-significant results. Studies by Gedikli, Miraglia, Connolly, Bryan, & Watson (2023), Wandita & Fithriani (2021), Shavira, Balafif, & Imamah (2021), Wandita & Fithriani (2021), Mousteri, Daly, & Delaney (2018) reveal negative and significant effects of unemployment on community well-being, and vice versa, while research by Made Puriartha Dwi Krisna, Sudarsana Arka, & I Wayan Wenagama (2022)

find non-significant results, and Suganda (2012) finds positive and significant effects. On the other hand, Schneider (2016) discusses inconclusive findings regarding the impact of income inequality on subjective well-being, and Dosi, Pereira, Roventini, & Virgillito (2018) suggest that labor market reforms can increase unemployment and income inequality. These studies indicate that income inequality can significantly impact community well-being and open unemployment, with important implications for policies and practices.

Based on theoretical and empirical studies and through the application of SEM-PLS model analysis, this research offers new insights into the correlation between income inequality and societal welfare levels. A deeper understanding of this relationship can serve as a foundation for developing more effective policies aimed at achieving sustainable development and economic equality. By utilizing SEM-PLS, this study provides a comprehensive understanding of the complex relationships between latent variables that are challenging to measure directly.

The primary objective of this research is to enhance understanding of the mechanisms and dynamics underlying the relationships between the key variables analyzed. Firstly, the study seeks to examine the impact of the open unemployment rate on income inequality. By identifying and analyzing related latent variables, this research aims to elucidate the extent to which these variables are interrelated in the context of income inequality. Additionally, the study explores the interconnection between income inequality, open unemployment, and societal welfare.

Compared to previous research, a distinguishing feature of this study is the operationalization of the variables of income inequality, unemployment, and public welfare. While previous studies measured these variables using a single indicator, such as the Gini ratio, to represent income inequality, this research operationalizes these variables at the district or city level within a specific region (Southeast Sulawesi Province). Another key difference lies in the type of data used, with this study employing both time series and panel data.

RESEARCH METHODS

The data utilized in this study comprises secondary data presented in the form of a panel dataset. This panel data integrates time series data from 2010 to 2022 with cross-sectional data from six provinces on the island of Sulawesi: South Sulawesi (Sulsel), Central Sulawesi (Sulteng), North Sulawesi (Sulut), Southeast Sulawesi (Sultra), West Sulawesi (Sulbar), and Gorontalo. Variables related to financial disparity, unemployment, and well-being are operationalized as latent variables across all Sulawesi provinces. The Gini ratio represents societal income inequality, the unemployment variable is represented by the open unemployment rate, and the well-being variable is represented by the Gross Regional Domestic Product (GRDP) per capita. The naming of variables is based on the province category and is explicitly defined.

Table 1. Operationalization of Variables.

Latent Variables	Manifest Variable	Equation
Inequality	Gorontalo_GR, Sulbar_ GR, Sulsel_ GR, Sulut_ GR, Sulteng_ GR, Sultra_ GR	$\text{Inequality} = \lambda_1 \text{Gorontalo\_GR} + \lambda_2 \text{Sulbar\_GR} + \lambda_3 \text{Sulsel\_GR} + \lambda_4 \text{Sulut\_GR} + \lambda_5 \text{Sulteng\_GR} + \lambda_6 \text{Sultra\_GR}$
Unemployment	Gotontalo_TPT, Sulbar_ TPT Sulsel_ TPT, Sulut_ TPT Sulteng_ TPT, Sultra_ TPT	$\text{Unemployment} = \lambda_1 \text{Gorontalo\_TPT} + \lambda_2 \text{Sulbar\_TPT} + \lambda_3 \text{Sulsel\_TPT} + \lambda_4 \text{Sulut\_TPT} + \lambda_5 \text{Sulteng\_TPT} + \lambda_6 \text{Sultra\_TPT}$

Latent Variables	Manifest Variables	Equation
Welfare	Gotontalo_PDRBKAP, Sulbar_ PDRBKAP, Sulsel_ PDRBKAP, Sulut_PDRBKAP, Sulteng_PDRBKAP, Sultra_ PDRBKAP	$\text{Welfare} = \lambda_1 \text{Gorontalo\_PDRBKAP} + \lambda_2 \text{Sulbar\_PDRBKAP} + \lambda_3 \text{Sulsel\_PDRBKAP} + \lambda_4 \text{Sulut\_PDRBKAP} + \lambda_5 \text{Sulteng\_PDRBKAP} + \lambda_6 \text{Sultra\_PDRBKAP}$

Source: Data Processed, 2024

Structural Equation Modeling (SEM) is a statistical tool used to simultaneously test and analyze the effects of one or more exogenous variables on one or more endogenous variables. In this study, three hypotheses are formulated: the impact of income inequality on unemployment and public welfare and the impact of unemployment on welfare.

Based on the theoretical review of the relationships between income inequality, open unemployment, and community welfare, the complete conceptual model is as follows:

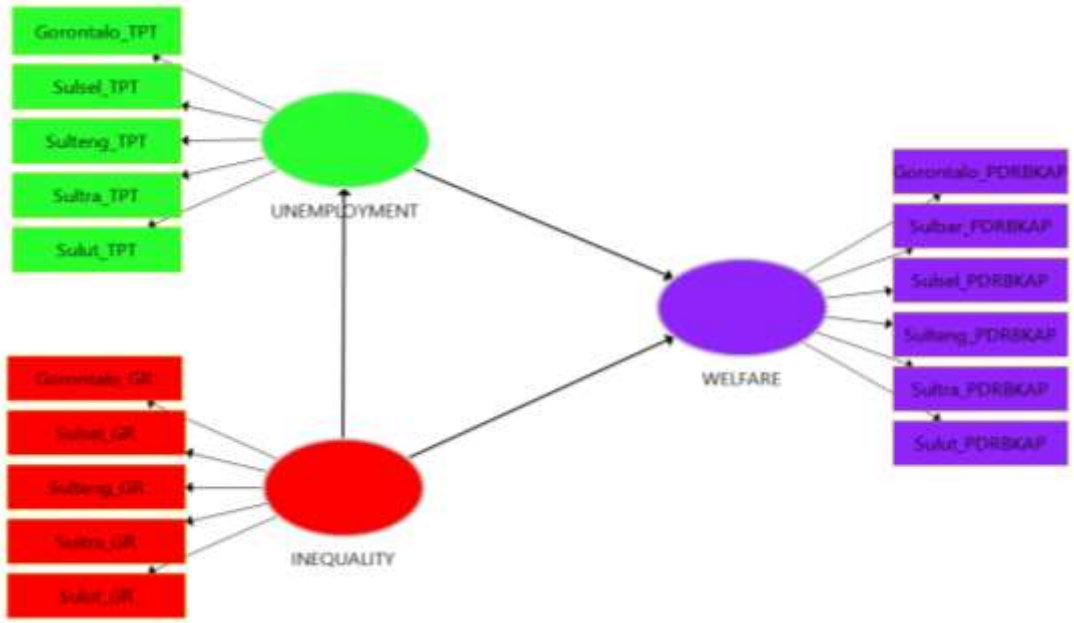

Figure 1. Conceptual research model
Source: Data Processed, 2024

The research model in Figure 1 is the result of elaborating Atkinson's (2000) equality theory, Sen's (1999) freedom theory, and Alkire and Foster's (2011).

The outer model or the measurement model testing stage aims to establish the validity and estimate the reliability of indicators and constructs. Several requirements must be met: Indicator loading factors should be greater than 0.5, the reflective construct's Average Variance Extracted (AVE) should be more than 0.5, the square root of AVE should be greater than the inter-construct correlations, Cronbach's Alpha should be more than 0.7, and composite reliability should be more than 0.7.

The Goodness of Fit model testing stage aims to assess the model's predictive power and overall suitability. Criteria that need to be met include Q2 predictive relevance to examine the model's predictive strength (SmartPLS blindfolding output), Model Fit to assess the model's suitability, and data for testing the influence of variables, with the condition that SRMR should be less than 0.1.

Inner model testing phase => to test the significance of the influence of exogenous variables on endogenous variables. The significance test is considered significant if the p-value is < 0.05.

RESULTS AND DISCUSSION

The results of the measurement model analysis in Figure 2 show that there are two manifest variables with loading factor values smaller than 0.5, namely the Gini ratio variable for West Sulawesi (Sulbar_GR) and the open unemployment rate variable for West Sulawesi (Sulbar_TPT). According to Hair et al. (2000), these variables should be removed from the research model.

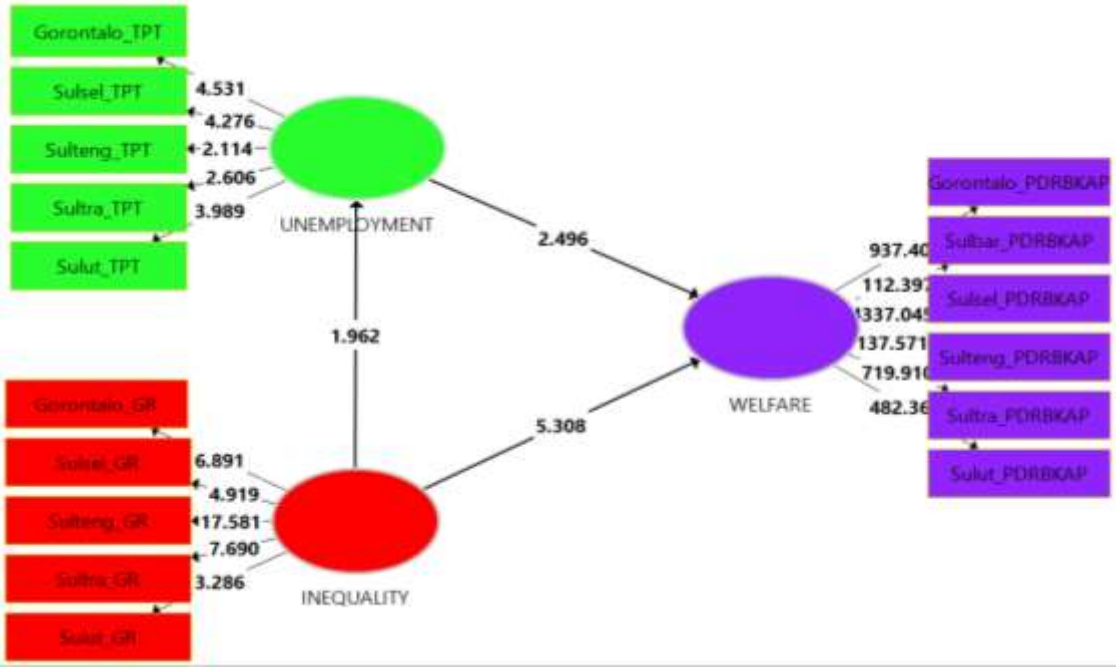

Figure 2. Final research model
Source: Data Processed, 2024

The results of the measurement model analysis in Figure 2 show that there are two manifest variables with loading factor values smaller than 0.5, namely the Gini ratio variable for West Sulawesi (Sulbar_GR) and the open unemployment rate variable for West Sulawesi (Sulbar_TPT). According to Hair et al. (2000), these variables should be removed from the research model

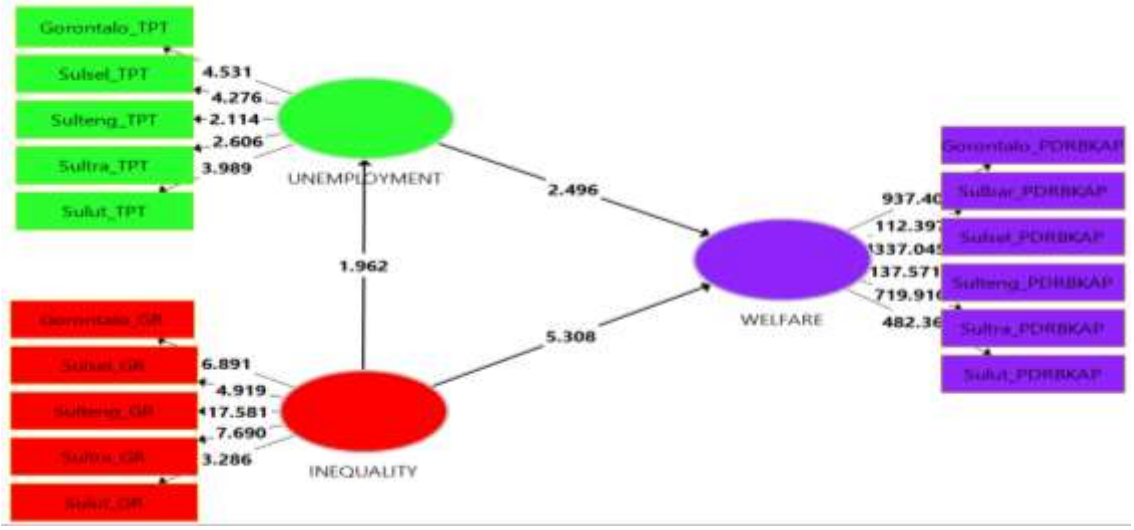

Figure 3. Bootstrapping in Research Model
Source: Data Processed, 2024

The results of the analysis of Models in Figures 2 and 3 serve as the basis for analyzing the outer and inner models in the next stages. The measurement model testing stage aims to establish the validity and estimate the reliability of indicators and constructs. Several requirements must be met: Indicator loading factors should be greater than 0.5, the reflective construct's Average Variance Extracted (AVE) should be more than 0.5, the square root of AVE should be greater than the inter-construct correlations, Cronbach's Alpha should be more than 0.7, and composite reliability should be more than 0.7. Based on Figure 2, the results of the measurement model evaluation are presented in Table 2.

Table 2. Outer loading factor

	Inequality	Unemployment	Welfare
Gorontalo_GR	0.758		
Gorontalo_PDRBKAP			0.998
Gorontalo_TPT		0.849	
Sulbar_PDRBKAP			0.981
Sulsel_GR	0.792		
Sulsel_PDRBKAP			1.000
Sulsel_TPT		0.916	
Sulteng_GR	0.964		
Sulteng_PDRBKAP			0.975
Sulteng_TPT		0.824	
Sultra_GR	0.845		
Sultra_PDRBKAP			0.997
Sultra_TPT		0.782	
Sulut_GR	0.706		
Sulut_PDRBKAP			0.997
Sulut_TPT		0.915	

Source: Data Processed, 2024

Table 2 shows the results of the test for construct reliability and validity of variables/dimensions, which meet the cutoff value from the test with loading factors greater than 0.7. Subsequently, the results of the test for Cronbach's alpha of the constructs, Composite Reliability, and the values of Average Variance Extracted (AVE) for the constructs are presented in Table 3.

Table 3. Construct reliability and validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Inequality	0.879	0.914	0.909	0.669
Unemployment	0.917	0.976	0.933	0.738
Welfare	0.996	0.997	0.997	0.983

Source: Data Processed, 202

Table 3 presents the processed results from Smart-PLS, indicating that the constructs within the research model exhibit high reliability. This is evidenced by strong internal consistency metrics, including Cronbach's Alpha, rho_A, and Composite Reliability, as well as the constructs' ability to explain variance (AVE). These findings suggest that the instruments are reliable and effective in measuring the concepts of income inequality (Gini ratio), open unemployment rate, and community welfare, aligning with the objectives of the analysis. The subsequent step

involves testing the model's Goodness of Fit to assess its predictive power and overall suitability.

The Goodness of Fit testing stage evaluates the model's predictive relevance and overall fit. Key criteria include Q^2 predictive relevance, which examines the model's predictive strength using SmartPLS blindfolding, and Model Fit, which assesses the alignment between the model and the data. The Standardized Root Mean Square Residual (SRMR) should be less than 0.2 for the model to be considered fit.

The results of the model feasibility test are detailed in Table following table:

Table 4. Results of the Goodness-of-Fit Test

	Saturated Model	**Estimated Model**
SRMR	0.186	0.186

Source: Data Processed, 2024

Table 4 shows that the model has an acceptable level of fit with observational data, as indicated by the SRMR value of 0.186. Although this value suggests some discrepancy between the model and the data, it can still be considered a reasonably good fit. However, it is recommended that refinements or adjustments to the model be considered to enhance the fit level further. Based on Figures 2 and 3, the evaluation results of the inner model are presented in Table 5 below:

Table 5. Results of Testing the Relationships Between Latent Variables

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Inequality -> Unemployment	0.538	0.622	0.195	2.757	0.006
Inequality -> Welfare	-0.627	-0.610	0.120	5.209	0.000
Unemployment -> Welfare	-0.471	-0.442	0.138	3.425	0.001

Source: Data Processed, 2024

The information from Table 5 is used to examine the effect of income inequality on unemployment and public welfare, as well as the effect of unemployment on people's welfare.

The analysis of the impact of income inequality on the open unemployment rate reveals that the path coefficient for the relationship between these variables is 0.538, with a p-value of 0.006. The positive path coefficient (0.538) indicates a direct positive relationship between income inequality and open unemployment, suggesting that as income inequality increases, the level of open unemployment also tends to rise. Additionally, the p-value of 0.006 is statistically significant, underscoring the robustness of this relationship.

Consequently, the conclusion is: 'There is a highly significant positive relationship between income inequality and open unemployment, as evidenced by a path coefficient of 0.538 and a p-value of 0.006. This finding strongly suggests that increasing income inequality is associated with higher levels of open unemployment, emphasizing the need to address income inequality as a strategic measure in efforts to reduce open unemployment.'

The result of the impact of income inequality on the level of community well-being shows that the path coefficient of the relationship between income inequality and open unemployment is -0.627 with a p-value of 0.000. The negative coefficient (-0.627) indicates a negative relationship between income inequality and community welfare. This means that as the level of income inequality increases, community welfare tends to decrease. Furthermore, the recorded p-value is 0.000. The p-value is crucial in inferential statistics as it determines the significance level of the relationship between variables. In this context, a very small p-value (less than alpha = 0.05) indicates that the relationship between income inequality and community welfare is statistically significant.

In other words, the results of the analysis show that there is very strong statistical evidence to state that income inequality has a significant impact on the level of community welfare. Therefore, the conclusion is: "There is a highly significant negative relationship between income

inequality and community welfare, with a path coefficient of -0.627 (p-value = 0.000). This finding provides strong evidence that as the level of income inequality increases, the level of community welfare decreases. The implication is that efforts to reduce income inequality can be a key strategic factor in improving community welfare. Efforts to enhance community welfare by reducing income inequality involve implementing Progressive Tax Policies. Implementing a progressive tax system, where those with higher incomes are taxed at higher rates, can help reduce income inequality by redistributing income from the wealthy to the poor. Social Assistance Programs: Implementing targeted social assistance programs, such as family allowances, education grants, or direct assistance programs to those in need, can help reduce income inequality by providing support to the less privileged. Increasing Access to Education and Skills: Investing in education and skills training, especially for those from less privileged backgrounds, can help improve opportunities for better jobs and higher incomes.

The analysis of the impact of the open unemployment rate on community well-being reveals that the path coefficient for the relationship between open unemployment and community welfare is -0.471. This coefficient indicates a negative relationship, suggesting that as the level of open unemployment increases, community welfare tends to decrease. Furthermore, the p-value of 0.001, which is less than the significance level of 0.05, confirms that this relationship is statistically significant.

In summary, the results provide substantial statistical evidence supporting the conclusion that open unemployment significantly affects community welfare. Specifically, there is a significant negative relationship between open unemployment and community welfare, with a path coefficient of -0.471 and a p-value of 0.001. This finding implies that higher levels of open unemployment are associated with a decrease in community welfare. Consequently, policies aimed at reducing open unemployment could be crucial for enhancing overall community well-being. For instance, increasing infrastructure investment by constructing roads, bridges, and other public facilities can generate new employment opportunities. Implementing a fair minimum wage policy can enhance workers' purchasing power and stimulate domestic consumption, further contributing to job creation. Additionally, reforming labor market regulations to increase flexibility and support job creation, such as accommodating part-time work and short-term contracts, can also be beneficial.

The significant influence of income inequality on unemployment is in line with the phenomenon (Figure 4). During the period from 2010 to 2022, it is observed that the Gini Ratio, which measures income inequality, has experienced an overall decrease. This indicates an improvement in income distribution within the society.

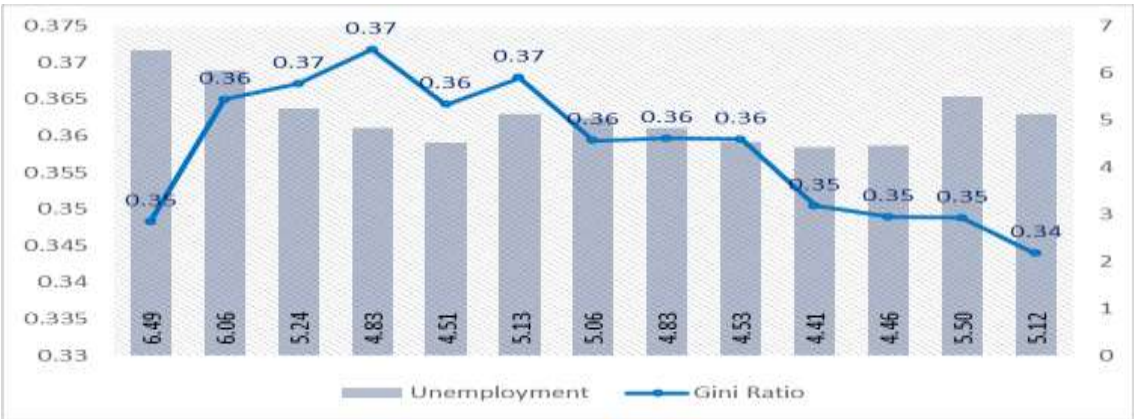

Figure 4. The Phenomenon of Gini Ratio and The Unemployment
Source: Data Processed, 2024

Simultaneously, the unemployment rate has also decreased during this period, reflecting improvements in the labor market. The concurrent decrease in the Gini Ratio and the unemployment rate can be interpreted as an indication that measures taken to reduce income inequality may also contribute to increased job opportunities and economic recovery. However, it is important to continue monitoring and analyzing the factors influencing the relationship between the Gini Ratio and the unemployment rate to understand the underlying economic and social dynamics better.

The research findings align with Cysne's (2004) and Dossi's (2016) findings, indicating that economic inequality significantly influences unemployment. The implications of the research findings suggest that economic inequality significantly impacts the unemployment rate and has broad and profound consequences.

Several implications that may arise from these findings include economic inequality's impact on the unemployment rate, which can worsen social inequality. Groups with limited access to economic opportunities are more likely to face difficulties in finding employment, creating a larger gap between the rich and the poor. Not all individuals have equal opportunities to seek employment. This can create inequality of opportunities in society, where some groups find it more challenging to secure jobs compared to others. Economic dissatisfaction and high unemployment can increase the risk of social conflict. Societies that perceive economic opportunities as unfairly distributed are more susceptible to social tensions, protests, or even riots. High unemployment can have a negative impact on the overall well-being of a society. Communities with high unemployment rates may experience a decline in well-being, including an increase in mental health issues, a decrease in educational attainment, and a rise in crime rates. The findings provide a foundation for developing more inclusive and redistributive economic policies. Efforts to reduce economic inequality can help decrease unemployment rates and improve the overall economic conditions of the community.

Overall, these findings highlight the significant impact of inequality on unemployment, underscoring the complexity of economic challenges faced by societies. Effective solutions may involve a combination of economic policies, education, training, and collaboration between the private and public sectors to achieve better economic inclusivity.

The influence of income inequality on community welfare is in line with the phenomenon (figure 5). During the period from 2010 to 2022, the data indicates that the Gini Ratio, which measures the level of income inequality, has experienced an overall decrease. This can be interpreted as an indication that there have been efforts or policies that have successfully reduced inequality in income distribution within society.

Figure 5. The phenomenon of the unemployment rate and community welfare
Source: Data Processed, 2024

Meanwhile, the well-being of the community has also increased over time, reflecting positive developments in economic or social conditions that impact the income of the population. Although the decrease in the Gini Ratio indicates an improvement in income distribution, it is important to continue monitoring and analyzing the factors contributing to this trend. This helps identify policies or measures that can further enhance the welfare of the community and reduce economic inequality. These factors include increased access to education and training through more equitable education and training programs, allowing more people to improve their skills, thereby increasing employment opportunities and income.

Another factor is income redistribution policies, such as progressive taxation, social assistance, and subsidies, which can help distribute income more fairly. Additionally, job creation is a significant factor. Investment in sectors that can absorb a large workforce can reduce unemployment and increase the community's income.

The findings of this research align with the studies of Sen (1999), Schneider (2016), Atkinson (2015), and Alkire and Foster (2011), which found that income inequality significantly affects well-being. The implications of these research findings can encompass several crucial aspects: Income inequality can indicate low social well-being. Groups or individuals with low income tend to face difficulties in meeting basic needs such as housing, food, education, and healthcare. High-income inequality can create disparities in access to healthcare and education. Individuals with low income may encounter barriers to obtaining quality healthcare and proper education, affecting long-term well-being. Low-income groups are more likely to face higher health risks. They may lack adequate access to preventive healthcare services and medical care, negatively impacting both physical and mental well-being. Income inequality can affect social mobility, the ability of individuals to improve their economic status from one generation to the next. High levels of inequality can create challenges for individuals to enhance their quality of life and may limit opportunities for advancement. Significant income inequality can lead to social dissatisfaction. Perceptions of injustice in income distribution can trigger social tension and affect societal stability. The findings underscore the importance of policies supporting economic redistribution. Efforts to reduce income inequality may involve progressive taxation, social assistance programs, and other inclusive policies aimed at improving access to resources and opportunities for low-income groups. High-income inequality can have a negative impact on long-term economic growth. Economic research has shown that high inequality can hinder investment in human resources and create economic instability, potentially harming overall economic growth.

By understanding these implications, policymakers should formulate effective policies, and stakeholders can design strategies to reduce income inequality and enhance the well-being of the overall population.

The influence of unemployment on community welfare is in line with the phenomenon (Figure 6). During the period from 2010 to 2022, it was observed that despite fluctuations in the unemployment rate, there was an overall decreasing trend. This decrease positively correlates with the increase in community welfare. Although there was an increase in the unemployment rate in 2021, the subsequent decrease in 2022 suggests the potential for economic recovery.

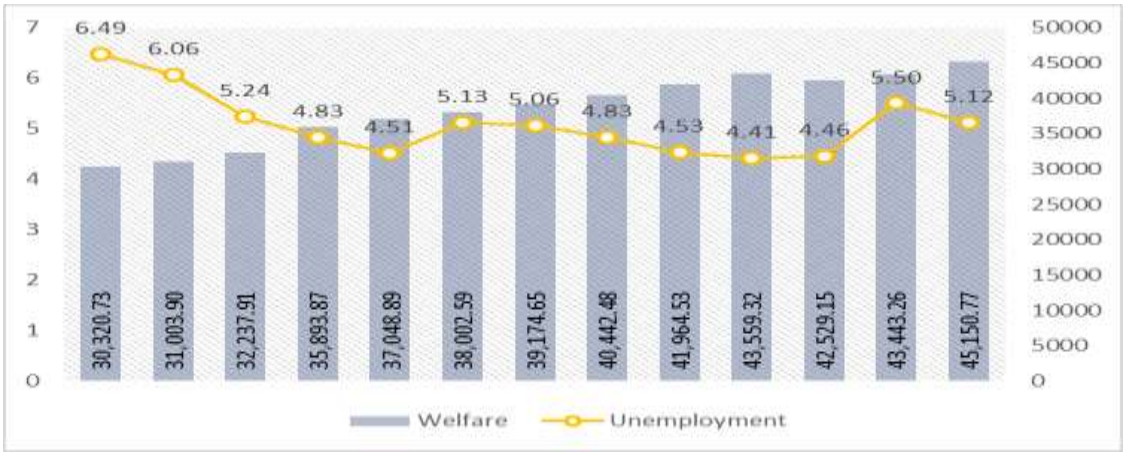

Figure 6. The phenomenon of the unemployment rate and community welfare
Source: Data Processed, 2024

Despite fluctuations, the increase in community welfare over time reflects that certain policies or factors may have supported economic growth or improvements in social conditions impacting community income. There is an indication that the decrease in the unemployment rate contributes positively to the increase in community welfare. However, it should be noted that other factors, such as government policies, global economic developments, and structural changes in the labor market, may also play a role in this relationship.

The research findings align with Soler's (2018) and the World Bank's (2020) findings, indicating that unemployment significantly affects well-being. The results suggest that income-based unemployment influences community well-being and has significant implications for various aspects of community life. Some implications may arise from these findings: Income-based unemployment can lead to a decline in the economic well-being of individuals and households. Loss of income sources can affect the ability to meet basic needs such as housing, food, education, and healthcare. Individuals experiencing income-based unemployment may face reduced access to healthcare services. Financial constraints can hinder the ability to afford medical care, increasing health risks and burdening the public healthcare system. Income-based unemployment can have a negative impact on investments in education and skill development. Individuals experiencing unemployment may struggle to access further education or training that could enhance their skills and broaden future job opportunities. Income-based unemployment can increase the risk of mental health problems, such as depression and anxiety. Financial uncertainty and job-related insecurity can add extra pressure to the mental well-being of individuals and society as a whole. High levels of income-based unemployment can increase social inequality. Certain groups or communities may be more vulnerable to unemployment, creating a larger gap between different strata of society. High income-based unemployment can create social challenges and increase the risk of conflict in society. Communities experiencing economic dissatisfaction are more likely to face social tensions, protests, or instability. The research emphasizes the importance of the government's role and social policies in addressing income-based unemployment. Policies supporting job creation, social protection, and skill training can help mitigate the negative impact of unemployment on community well-being.

These findings can encourage investments in infrastructure projects and public employment to stimulate economic growth, create jobs, and enhance the community's overall well-being.

CONCLUSION

Income inequality has significantly and positively impacted unemployment in Southeast Sulawesi's districts and cities from 2010 to 2022. The economic implications of this finding are that high-income inequality can lead to low purchasing power among the population, thereby reducing domestic consumption and affecting overall economic growth. Additionally, income inequality can lead to inefficient allocation of resources, where more resources are concentrated in the affluent segments of society while the poorer segments are left further behind.

Based on the findings of the conducted research, it can be concluded that there is a significant relationship between income inequality and community welfare and unemployment and community welfare. This study reveals that economic inequality, as reflected in income inequality, has a tangible negative impact on community welfare. The greater the income inequality, the lower the level of welfare that can be enjoyed by members of the community.

Furthermore, the research findings also highlight the positive and significant influence of the unemployment rate on the level of community welfare. In other words, the higher the unemployment rate, the lower the level of community welfare overall. This indicates that unemployment challenges have broader implications, not only limited to individuals experiencing unemployment but also extending to the community's overall welfare.

Income inequality has a significant and negative impact on the well-being of the population in the districts and cities of Southeast Sulawesi from 2010 to 2022. The economic implications of this finding are that low-income inequality can support more inclusive economic growth. With a more equitable income distribution, more people have higher purchasing power, which can boost domestic demand and overall economic growth. Furthermore, more equitable well-being can increase worker productivity. When people feel valued and fairly compensated, they tend to be more motivated and productive.

Unemployment has a significant and negative impact on the well-being of the population in the districts and cities of Southeast Sulawesi from 2010 to 2022. The economic implications of this finding are that high levels of unemployment can hinder economic growth. When many people are not employed, overall economic productivity declines and national income decreases. Additionally, high unemployment means fewer people have stable incomes, which results in lower purchasing power. This can reduce demand for goods and services, thereby slowing down economic activity.

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