

## IMPLICATIONS OF ECONOMIC AND SOCIAL INEQUALITY ON COMMUNITY WELFARE: A LITERATURE REVIEW

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### Abstract

This study aims to explore the impact of economic and social inequality on people's welfare through a comprehensive literature review. Economic and social inequality is an increasingly prominent issue in many countries and has far-reaching implications for societal stability and development. This study identifies that high inequality contributes to various social problems such as increased crime, declining public health, and limited access to education and economic opportunities. In addition, inequality weakens social cohesion and trust among community members, which can impact political stability and the effectiveness of public policies. To address these negative impacts, this study suggests the need for fairer redistributive policies, as well as improved access to fundamental services such as education and health, to improve individual well-being and achieve more inclusive and sustainable economic growth.

**Keywords:** Implications, Economic Inequality, Social, Community Welfare.

### Introduction

Economic and social inequality is a phenomenon of serious concern in many countries, including Indonesia. This includes differences in access to economic resources, such as income and wealth, as well as differences in access to basic services such as education and health. People at the lower economic levels are often trapped in a cycle of poverty that is difficult to break, so they have limitations in improving their welfare (Bahn et al., 2020).

Economic inequality refers to the unequal distribution of economic resources among individuals or groups in a society. It is often measured through indicators such as income and wealth. For example, the Gini index is one of the widely used measurement tools to assess the level of income inequality in a population (Corbera et al., 2020). Economic inequality reflects differences in the economic ability of individuals to access the goods and services needed to maintain a decent standard of living. High inequality can indicate that a small group of people own a very large proportion of the wealth, while the majority have much more limited access to economic resources (Sinfield, 2020).

Social inequality, on the other hand, relates to differences in access to opportunities and non-economic resources that are important for quality of life and well-being, such as education, health, housing, and other social services. Social inequality also includes discrimination and marginalisation of certain groups based on factors such as gender, ethnicity, religion or social status. Social inequality can prevent individuals or groups from gaining fair access to opportunities that would otherwise be enjoyed by all members of society. These disparities contribute to the formation of entrenched social hierarchies and can reinforce intergenerational cycles of poverty and injustice (Czymara et al., 2021).

Empirically, research shows that high inequality can negatively impact the overall welfare of society. On the one hand, economic inequality may hamper economic growth through reduced consumption and investment by the less well-off population. On the other hand, social inequality often leads to discontent, marginalisation of certain groups, and increased social tensions that impact social and political stability (Bywaters et al., 2020).

According to a report by the Organisation for Economic Cooperation and Development (OECD), countries with high levels of inequality tend to have greater levels of social instability and slower economic growth. High inequality is also associated with low levels of human development, which includes aspects of education, health, and decent living standards (Esping-Andersen, 2024).

In the Indonesian context, the issue of inequality is even more urgent to address, especially given the significant disparities between urban and rural areas, as well as between different ethnic and social groups. This index, which measures income inequality, shows that despite the economic upturn, inequality remains a challenge that has not been fully addressed (Fisher et al., 2020).

This study aims to review the existing literature to better understand the implications of economic and social inequality on people's welfare. This literature review is expected to identify common patterns as well as specific impacts of inequality, while providing insights for more effective policymaking in addressing this issue.

## **Research Methods**

The study in this research uses the literature method. The literature research method is a systematic approach to identifying, evaluating and interpreting scholarly works relevant to a particular research topic or issue. It involves steps such as formulating a clear research question, conducting a comprehensive literature search across multiple sources such as journals, books and electronic databases, and filtering and synthesising the information found. The researcher also assesses the quality and credibility of the sources obtained, and analyses the key findings to identify patterns, trends and gaps in existing knowledge. The results of this literature research help researchers establish a strong theoretical foundation, affirm the relevance of their

study, and direct the development of further hypotheses or research questions (JUNAIDI, 2021) ; (Abdussamad, 2022) ; (Wekke ., 2020)

## **Results and Discussion**

### **Impact of Economic Inequality**

Economic inequality has a wide range of negative impacts on the sustainability and stability of a society. One of the most significant impacts is increased poverty and limited access to basic needs. When wealth and income are focussed on a small group of people, the majority of the population may find it difficult to meet basic needs such as food, shelter and healthcare. This can exacerbate poverty, hinder economic growth, and prolong the cycle of intergenerational poverty. Inequalities in access to education and skills can also reduce the potential of individuals to improve their own lives and contribute productively to the economy (Armitage & Nellums, 2020) .

In addition, economic inequality can lead to social and political instability. Inequities in the distribution of wealth and opportunities often breed discontent and a sense of injustice among the disadvantaged. This feeling of marginalisation can increase the potential for social conflict, demonstrations and even violence. Political stability can also suffer as trust in institutions and governments declines, especially if they are perceived as unable or unwilling to address these inequalities. Such instability can create an environment that is not conducive to further investment and economic growth (Bapuji et al., 2020) .

Economic inequality also has a negative impact on public health. Research shows that communities with high economic inequality often also exhibit inequalities in health status. Individuals or groups with lower incomes tend to have poorer access to health services, poorer nutrition, and living conditions that are more vulnerable to disease. In addition, stress resulting from economic uncertainty and feelings of financial insecurity can contribute to an increase in mental health problems, such as depression and anxiety (Paremoer et al., 2021) .

A final important impact is that economic inequality can stifle innovation and productivity. In highly unequal societies, individuals from low economic backgrounds may not have access to quality education or the resources needed to develop their potential. This results in a loss of talent and innovative ideas that could drive economic and social progress. Furthermore, income inequality can reduce aggregate demand as the majority of the population has low purchasing power, which in turn can suppress economic growth (Fortier, 2020) . Therefore, addressing economic inequality is not only important for social justice but also for achieving sustainable economic stability and prosperity.

## **Impact of Social Inequality**

Social inequality that occurs in society has a detrimental and far-reaching impact on various aspects of life. One of the most obvious impacts is an increase in injustice and discrimination. When one group of society is given greater access to educational opportunities, employment and healthcare services than another, this creates systematic injustice (Holst et al., 2021) . As a result, disadvantaged groups are trapped in a cycle of inability to improve their living standards, thus deepening the gap between the rich and poor. In addition, discrimination resulting from social inequality can take the form of racial, gender or ethnic prejudice, further degrading the dignity and human rights of the discriminated group (Blundell et al., 2022) .

In addition, social inequality can lead to increased social unrest and instability. When people feel that they are being treated unfairly by the existing social and economic system, frustration and disappointment can lead to social conflict. This can manifest in the form of protests, demonstrations, or even riots, all of which can disrupt the social order and stability of the country. Widespread dissatisfaction with social inequality can also weaken social cohesion, reduce trust in institutions, and worsen the sense of community in society (Watson et al., 2020) .

Social inequality also has a significant impact on education. Children from poor families often do not have the same access to quality education as children from wealthier families. Lack of resources, facilities and learning opportunities can hinder their ability to develop and reach their full potential. This also contributes to the next generation gap, where inequality in education perpetuates social inequality. Furthermore, with inadequate education, children from disadvantaged backgrounds are more likely to be trapped in low-wage jobs that prolong the cycle of poverty (Allan & Briskman, 2020) .

The impact of social inequality is also reflected in public health. Individuals from lower socio-economic groups often face greater health challenges, poorer access to health services, and less healthy living conditions compared to those from higher socio-economic groups. Inequalities in access to healthcare can result in disparities in life expectancy and prevalence of chronic diseases (Dill & Zambrana, 2020) . In addition, stress resulting from social and economic insecurity can contribute to mental health problems such as depression and anxiety. Ultimately, social inequality not only harms disadvantaged individuals but also hinders the overall progress and well-being of society.

## **The Interrelationship Between Economic and Social Inequality**

Economic and social inequality are intertwined and create a vicious cycle that is difficult to break. Economic inequality refers to the unequal distribution of income and wealth in a society, while social inequality includes differences in access to resources such as education, healthcare and employment opportunities. When economic

inequality occurs, those at the bottom of the wealth pyramid often also experience social inequality due to lack of access to resources that can help them improve their economic status. This creates a condition where a person's social and economic status influence and reinforce each other (Heponiemi et al., 2020) .

One obvious example is in the field of education. Children from poor families are often deprived of a quality education because their parents cannot afford to pay high school fees or provide the support necessary for their academic success. This inability is rooted in economic inequality; without sufficient income, families cannot invest time and money in their children's education. The lack of a good education then exacerbates social inequality, as these children have less chance of getting a good job in the future, which in turn affects their economic capabilities and prolongs the cycle of poverty (Wu et al., 2020) .

In health, economic and social inequalities are also closely intertwined. Individuals from lower economic strata tend to have limited access to quality healthcare, whether it is due to financial inability or social discrimination. Poor health then reduces productivity and ability to work, which worsens the economic condition of the individual. Inequalities in health are also often compounded by social factors such as stigma and discrimination experienced by disadvantaged groups, preventing them from seeking or receiving the care they need. With poor health, their quality of life decreases, which in turn exacerbates social inequality (Fortier, 2020) .

In addition, economic and social inequality also affects the social and political stability of a country. When such inequalities widen, the sense of discontent and frustration among disadvantaged groups increases. This can trigger protests, demonstrations and even prolonged social conflicts. In situations where a sense of injustice dominates, trust in democratic institutions can erode, creating an environment that can give rise to populist or extremist policies (Ortiz-Ospina et al., 2024) . Reducing economic and social inequality is therefore not only a moral issue but also a strategic one for maintaining the socio-political stability and sustainability of a nation.

Measures to address economic and social inequality must be integrated and holistic. The development of public policies that focus on wealth and income redistribution, improving access to and quality of education, and providing affordable and quality healthcare are some of the measures that can be taken. It is also important to empower marginalised groups through skills development programmes and economic incentives (Barr, 2020) . Through a comprehensive approach, it is hoped that economic and social inequalities can be significantly reduced, opening up opportunities for all members of society to achieve a better and more equal quality of life.

## **Conclusion**

Economic and social inequality has a significant impact on people's well-being. Literature shows that high inequality can lead to a variety of social problems such as

increased crime, declining public health, and limited access to education and economic opportunities. This often creates a cycle of poverty that is difficult to break, where the next generation also continues to be trapped in unfavourable conditions.

Furthermore, inequality not only affects individuals directly but also undermines social cohesion and trust in society as a whole. High levels of inequality can impact political and social stability, fuelling divisions between different groups of society. This often leads to less effective public policies, which are likely to ignore the needs and aspirations of the most vulnerable sections of society.

To address the impact of these inequalities and improve people's welfare, the literature suggests the need for more inclusive and equitable policies. Government intervention in the form of wealth redistribution, improved access to quality education and healthcare, as well as economic policies that provide more equitable opportunities, are considered important steps. By reducing inequality, not only will individual welfare improve, but also long-term economic stability and growth can be better secured.

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