

## **CHAPTER V**

### **CONCLUSION**

#### **A. Conclusion**

Based on the discussion that has been done, the conclusions from the study include:

1. Indonesia has a relatively low intergenerational income elasticity (IGE), equal to 0.166. It means that only 16.6% of father's permanent income might be transmitted to his child. This indicates a high degree of intergenerational income mobility. Father's permanent income is limited to determine the child's permanent income. There is a fairly equal opportunity spread to Indonesian people from any circle. However, there are still differences in IGE between male and female, as well as urban and rural area. IGE of females (0.191) is higher than males (0.182), indicating that opportunities for males tend to be further equal than females because of relatively lower income mobility. Likewise, rural IGE (0.109) is lower than urban areas (0.201), which can be caused by the opportunity to migrate to the city, which makes rural community's income mobility greater than urban communities'.
2. Transition probabilities that occur among income groups support the value of IGE that has been estimated. Children living in families with low-income fathers have a high probability of earning a higher income than their fathers. However, as well as children from high-income fathers, he still has the possibility of falling into poverty and having lower income from his father.

3. Children's permanent income is significantly determined by children's education, which is also influenced by the father's permanent income. Children's permanent income can increase as much as 0.122% every time they increase their schooling by one year. Thus, education can be mentioned as one of the transmission channels for IGE which can describe as much as 73.49% of IGE.

## **B. Research Limitations**

There are a number of limitations that exist in this study, some of which are caused by the limitations of data panels in Indonesia, including:

1. Intergenerational elasticity is an intergenerational mobility indicator with a long lag. This study uses data from the sample from 1993-2014 which means the latest data is not really updated since it was 5 years ago relative to the time this study is conducted. For this reason, it is possible that intergenerational mobility has experienced a change caused by changes in circumstances that might occur in Indonesia after 2014.
2. Income data from IFLS comes from direct reports by the respondent in question. This certainly raises the possibility of inaccurate answers compared to the actual conditions which can be caused by errors in memorising, a humble culture that makes the respondent not want to mention the actual nominal, etc.
3. The considerable influence estimated from education on IGE can be caused by IFLS data which takes more samples from regions that have better access

to education, such as Java. Thus, there is no sample representing respondents from disadvantaged areas such as Papua, etc.

### **C. Recommendation**

Suggestions that can be given based on the discussion of this study are as follows.

1. For the government, the author suggests starting to prioritize programs which can develop individual human capital. It can be in the form of training, courses, or other potential development programs to optimize the opportunity society have to get more satisfying welfare. Then, to evaluate the formal education held. To not only create individuals who are able to memorize various theories for the sake of test scores or diplomas but also to have critical thinking which is certainly useful to solve problems and challenges that occur in the future. Those are considering the income mobility of the Indonesian people which does not depend anymore on their family backgrounds but human capital which is personally owned by each individual.
2. For further research, suggestions that can be given is to use the latest data according to the time when the research is conducted. Therefore, it can provide more relevant results. In addition, other variables besides education can be estimated which are assumed to be an IGE transmission channel. The education variables in this study are also still very general, considering that there is certainly a significant influence on the genetic abilities possessed by each child such as intelligence quotient (IQ), talent, etc