

Developing a Welfare Gap Measurement Model: Evaluating Public Service Solvency for Sustainable Human Development Performance in Indonesia and New South Wales (NSW) Australia

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Abstract

This study develops an integrated welfare gap measurement model linking human development outcomes with structural fiscal-service capacity and sustainability. Using a benchmarking approach, it evaluates Indonesia's welfare position relative to New South Wales (NSW), Australia, by combining the Human Development Index (HDI) as an outcome indicator with public service solvency as an input indicator of sustainable service provision. NSW is treated as an empirical benchmark representing a more mature equilibrium of fiscal depth and service sustainability. The analysis uses consolidated government expenditure data from Indonesia's Consolidated Government Financial Statements within the Government Finance Statistics framework and audited expenditure data from the NSW State Government and 126 local governments. All values are converted into purchasing power parity (PPP) terms using the Big Mac Index and expressed on a per capita basis. The findings reveal a persistent structural welfare gap: Indonesia's per capita government expenditure is only about one-sixth to one-eighth of the benchmark level, implying a solvency gap of approximately 6.7–7.8 times. The gap is largest in health, followed by education and living standards. Convergence simulations indicate that closing the gap would take several decades. Overall, the results highlight a structural lag in fiscal capacity and service sustainability that constrains the realization of human development outcomes.

Index Terms

Welfare Gap Measurement; Sustainability; Service Solvency; Purchasing Power Parity; Development Stage