

EFFECT OF ECONOMIC GROWTH AND HUMAN DEVELOPMENT INDEX (IPM) ON UNEMPLOYMENT IN INDONESIA

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ABSTRACT

Unemployment is the most crucial problem in an economy, the problem of unemployment occurs as a result of an imbalance between available employment and the number of workers who increase every year. This research was conducted to find out how much influence economic growth and the human development index have on unemployment in Indonesia for the period 2011-2018. This research is a quantitative research that uses secondary data in the form of panel data. Secondary data was obtained from the Central Statistics Agency. The analytical method used is multiple linear regression analysis with the selected model, namely the fixed effect model. The results show that economic growth has a positive and insignificant effect on unemployment in Indonesia. While the human development index has a negative and significant effect on unemployment in Indonesia. The suggestion from this research is that the government should pay more attention to the HDI sector by increasing and distributing it to remote areas where the HDI level is still lacking or low.

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1. INTRODUCTION

Indonesia is one of the country which is beingAs a developing country, Indonesia is still undergoing stages or processes to build a better economy in order to become a developed country. This economic development aims to achieve a welfare for all people who live in the country. As a developing country and currently improving its economic problems, Indonesia certainly has macroeconomic problems, these problems are the main problems faced and need special handling from the government.[1].

Based on data from the Central Statistics Agency (2018), it shows that the number of the workforce in Indonesia in 2018 was 131.01 million people, the number of workers increased by 2.95 million people compared to 2017. In the past year, unemployment has decreased by 40 thousand people, in line with the open unemployment rate (TPT) which fell to 5.34% in 2018. Despite the decline, unemployment remains the government's main focus. The problem of unemployment can continuously worsen a state of the Indonesian economy. Therefore, the need for special handling from the government to overcome the problem of unemployment. Unemployment is a crucial thing in the economy faced by a country or region. Unemployment is generally caused because the number of the workforce is not proportional to the number of jobs provided by the government, which in turn will increase the number of unemployed in a country. The problem of unemployment is not only experienced by developing countries.[2], [3].

The Open Unemployment Rate in Indonesia is unstable and always changing. The percentage of the Open Unemployment Rate from 2008 to 2018 continues to experience fluctuating ups and downs, this symptom is called fluctuating. Although the change is not too high, it still has a negative impact on the economy. A good economy is reflected in the decline in the unemployment rate which continues to decline from year to year[4], [5]. Economic growth in a country if it continues to increase from time to time, this indicates that the country's economy is increasing, on the contrary if the economy does not increase and even decreases, it shows that the economy of a region is not increasing and is not progressing well.[6], [7], [8]. According to Sukirno (2016), one of the main factors that cause unemployment is the lack of aggregate expenditure, where companies produce goods and services with the intention of seeking profits and these

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profits can only be obtained if companies can sell the goods they produce. Thus, the greater the demand for these goods, the more goods and services will be produced[9], [10].

Based on research conducted by Latifah, et al (2017) in their research, it is stated that there is a negative relationship between economic growth and the human development index on the open unemployment rate but it is not significant. Anwar (2017) looks at the effect of economic growth on the unemployment rate, in his research stating that economic growth has a negative and insignificant effect on unemployment.

2. METHOD

2.1 Research design

This type of research is a quantitative research that belongs to the explanatory approach. Quantitative research is research data in the form of numbers and analysis using statistics. Explanatory research is research that seeks to explain the position of the variables studied and the relationship between one variable and another (Sugiyono, 2018). This study seeks to explain the relationship between variables that affect unemployment in Indonesia.

2.2 Data Types and Sources

This study uses secondary data. Secondary data is an indirect source of research data obtained through intermediary media. The secondary data used is in the form of panel data. Panel data is a combination of time series data (time series) and data from several objects at one time (cross section) (Arifianto, 2012). The source of data used in this study is data from the Pusan Statistics Agency (BPS). The data in this study are economic growth data, human development index data (HDI) and unemployment data for 2011-2018.

2.3 Research variable

The variables used in this research are independent and dependent variables. The dependent variable in this study is unemployment (Y), the data obtained is from the Open Unemployment Rate (TPT) in Indonesia. The independent variables in this study are economic growth and human development index.

2.4 Data Analysis Techniques

According to the type of data and hypotheses, it is very decisive in the accuracy of the statistical selection of the test equipment. Hypothesis testing in this study uses the analysis stage, namely selecting the estimation model by testing the chow-test, Hausman-test and Langrange multiplier-test. To test the hypothesis, namely multiple linear regression analysis, which must meet the criteria, namely, the F-test and T-test.

2.5 Analysis Model

This study uses a multiple regression analysis model, which is basically a study of the dependence of the dependent variable (bound) with one or more independent variables (independent), with the aim of estimating or seeing the effect of the independent variables on the dependent variable.

3. RELUST AND DISCUSSION

3.1 Descriptive Statistical Analysis

Descriptive statistics aim to provide information at a glance about research variables that can be used to determine research variables. Based on the results of the processed data, the descriptive statistical values of the variables of economic growth, Human Development Index and unemployment are as follows:

Table 1. Descriptive Statistical Analysis Results

	Unemployment	Economic growth	Human Development Index (HDI)
mean	5.491140	5.712684	68.3041
Maximum	13.74000	21.76000	80.47000
Minimum	1.370000	-4.560000	55.01000
Std. Dev.	2.152481	2.354229	4.354484
Observations	272	272	272

3.2 Unemployment

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Unemployment is the dependent variable in this study, the measurement of unemployment is based on the number of the workforce. Based on Table 4.2 of 272 observations, the average value (mean) of unemployment is 5.49 and the maximum unemployment is 13.74. While the minimum unemployment is 1.37. The standard deviation (data distribution) on unemployment in this study is 2.15. The province that has the highest unemployment rate is Banten province with 13.74 percent unemployment in 2011 then there was a decline in 2018 which was 8.52. The provinces of Jakarta and East Kalimantan experienced a significant decrease in unemployment where in 2011 the unemployment rate reached 11 percent, then in 2018 it experienced a significant decline of 6 percent. Unlike the case with the Riau Islands Province where from 2011-2018 the number of unemployed experienced a significant increase. The province of Bali has the lowest rank in the number of unemployed at 1.37 percent.

3.2 Economic growth

Economic growth is the independent variable in this study, the measurement of economic growth is based on Gross Regional Domestic Product. Based on table 4.2 of 272 observations, the average value (mean) of economic growth is 5.71 and the maximum economic growth is 21.76. Meanwhile, the minimum economic growth is -4.56. The standard deviation (spread deviation) of economic growth in this study is 2.35. The highest economic growth was occupied by the Province of West Nusa Tenggara at 21.76 percent in 2015, there was a decline in 2018 which was 3.72 percent. Then followed by Papua Province with an economic growth rate of 7.33 percent. The lowest economic growth is West Nusa Tenggara Province, which is -4.56 percent in 2018.

3.3 Human Development Index

The Human Development Index is the independent variable in this study, the HDI measurement is based on a comparison of life expectancy, literacy and education. Based on Table 4.2 of 272 observations, the average (mean) HDI is 68.30 and the maximum HDI is 80.47. While the minimum HDI is 55.01. The standard deviation (standard deviation) of the HDI in this study is 4.35. The highest HDI is Jakarta Province with an HDI rate of 80.47 percent in 2018, there was a significant increase where in 2011 the value was 76.98. In Yogyakarta, the average HDI value is 79.53 percent. East Kalimantan Province with an average HDI value of 75.83. The lowest HDI was occupied by Papua Province, which was 55.01 percent in 2011.

3.4 The Effect of Economic Growth on Unemployment

Based on the results of the regression analysis in this study found that economic growth has a significance value of $0.829 > 0.05$ so that H_0 is accepted, which means that economic growth has no significant effect on unemployment. With a coefficient of 0.006%. This states that there is a positive influence between economic growth and the unemployment rate. If economic growth increases it will increase unemployment by 0.006%.

3.5 The Effect of Human Development Index on Unemployment

The results of the analysis of the Human Development Index variable have a significant effect on unemployment with a significant value of 0.00. In this study, the HDI variable has a negative effect on unemployment. This means that if the HDI increases, it will reduce the unemployment rate in Indonesia. This research is supported by Mahroji's research (2019) which states that HDI has a negative and significant effect on the unemployment rate in Banten Province.

4. CONCLUSION

Based on the data analysis that has been done, the results of this study find that economic growth has a positive but not significant effect on the unemployment rate. This means that every time there is an increase in economic growth, the unemployment rate will also increase. This study is in line with research conducted by Azizah (2016), Purnama (2015) and several other studies. The human development index variable has a coefficient value of -0.282 and a p-value of 0.000 this indicates that the human development index has a negative and significant effect on the level of unemployment. This means that for every 1 percent increase in the Human Development Index (HDI), the unemployment rate will decrease by 0.282 percent.

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