
**EFFECT OF GOVERNMENT EXPENDITURES AND INVESTMENT ON
LABOR ABSORPTION THROUGH ECONOMIC GROWTH IN
SULAWESI PROVINCE**

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ABSTRACT

This study aims to see the direct and indirect effects of government spending on education, health and investment on employment through economic growth in South Sulawesi Province. The type of data to be analyzed in this study is secondary data in the form of panel data (pooled data). This research was conducted in South Sulawesi Province which consisted of 24 regencies / cities through the AMOS SPSS 21 application. The results showed that direct and indirect government expenditure in education and investment had a positive and significant effect on employment. While the variables of government expenditure in the health sector directly and indirectly have a negative and significant effect on employment in South Sulawesi Province.

Keywords: Government Expenditures, Investment, Economic Growth, Employment.

INTRODUCTION

Indonesia as a developing country has a goal in national development, namely a just and prosperous society that is evenly materially and spiritually based on Pancasila and the 1945 Constitution and is focused on economic development, without putting aside other fields of Indonesia as one of the main objectives in carry out the life of nation and state (Wardana, 2014).

One indicator that is used to measure economic development is employment. Increasing the number of employment opportunities and types of employment opportunities for local communities is the main goal in any economic development (Panjawa, 2014).

A rapidly developing economy that is not a guarantee of a country is said to be prosperous if it is not followed by an expansion of employment opportunities to accommodate new workers who enter the workforce every year (Sandika, 2014).

The problem faced by employment is the increasing population every year. The large population of productive age is able to increase the number of available labor force and ultimately able to

increase output production in an area. Increasing the population brings consequences to the increase in the number of the workforce (Dimas, 2009). The high workforce that is not balanced with adequate employment providers will cause unemployment. Responding to these problems, the government and employers can work together to try to find solutions and give more serious attention in order to create decent jobs.

The policy of distributing government expenditures that are right on target and the accuracy of the direction of investment to regions that can create employment opportunities will increase economic growth. Government expenditure is part of fiscal policy, namely government policy in the field of expenditure and income with the aim of creating a high level of employment (Sukirno, 2006).

MATERIALS AND METHODS

Research sites

This research was carried out in South Sulawesi Province to be exact in all Regencies / Cities in South Sulawesi Province, namely 24 Regencies/Cities.

Method of collecting data

The data used in this study is secondary data. Secondary data is data collected indirectly from the source. Secondary data is usually collected by data collection agencies and published to the data user community.

The types of data used are economic growth, employment, government expenditure in education, government expenditure in the health and investment sector of South Sulawesi Province.

Analysis Method

The models used in this study are:

$$Y_1 = f(x_1, x_2, x_3) \quad (1.1)$$

$$Y_2 = f(Y_1) \quad (1.2)$$

So the models found are:

$$Y_1 = \alpha_0 + \alpha_1 x_1 + \alpha_2 x_2 + \alpha_3 \ln x_3 + \mu_1 \quad (1.3)$$

$$\ln Y_2 = \beta_0 + \beta_1 Y_1 + \mu_2 \quad (1.4)$$

Substitute equation (1.3) to equation (1.4)

$$\begin{aligned} \ln Y_2 &= \beta_0 + \beta_1 (\alpha_0 + \alpha_1 x_1 + \alpha_2 x_2 + \alpha_3 \ln x_3 + \mu_1) + \mu_2 \\ &= \beta_0 + \beta_1 \alpha_0 + \beta_1 \alpha_1 x_1 + \beta_1 \alpha_2 x_2 + \beta_1 \alpha_3 \ln x_3 + \mu_1 + \mu_2 \\ &= \partial_0 + \partial_1 x_1 + \partial_2 x_2 + \partial_3 \ln x_3 + \mu_3 \end{aligned}$$

Where:

- Y1 = Economic Growth
- Y2 = Absorption of Labor
- X1 = Government Expenditures in the Field of Education
- X2 = Government Expenditures in the Health Sector
- X3 = Investment
- α_0 = Coefficient of Constants
- β_1, β_2 = Regression Coefficient
- ∂_0 = $\beta_0 + \beta_1 \alpha_0$
- ∂_1 = $\beta_1 \alpha_1$
- ∂_2 = $\beta_1 \alpha_2$
- ∂_3 = $\beta_1 \alpha_3$
- μ_{3it} = $\mu_{1it} + \mu_{2it}$

RESULTS OF DATA ANALYSIS

Analysis of the data used to discuss the problem in this study is Path Analysis. Path Analysis is a statistical technique for analyzing causal relationships that occur in multiple regression if the independent variables affect variables depending not only directly but also indirectly which allows testing of a relatively complex set of relationships. The collected data is then processed using AMOS SPSS 21 software. After the data is processed, the output produced by the software is as follows:

Results of Analysis of the Effect of Government Expenditures and Investment on Labor Absorption Through Economic Growth in South Sulawesi Province

			Estimate	S.E.	C.R.	P	Label
Y1	<---	X1	.074	.116	.641	.521	
Y1	<---	X2	-1.106	.380	-2.907	.004	
Y1	<---	X3	-.014	.127	-.112	.911	
Y2	<---	Y1	.035	.023	1.516	.129	
Y2	<---	X1	.106	.034	3.103	.002	
Y2	<---	X2	-.320	.115	-2.795	.005	
Y2	<---	X3	.482	.037	12.910	***	

Source: AMOS SPSS 21 (data processed)

The results of the estimation of government spending on education (X1) on economic growth (Y1) amounted to 0.074 with a probability value of 0.521 at a significance level of 1 percent. This means that government spending on education is not significant for economic growth.

The estimation of government expenditure on health (X2) on economic growth (Y1) is -1.106 with a probability value of 0.004 at a significance level of 1 percent, which means that government spending on health has a negative and significant effect on economic growth. Every increase in government spending on health in 1 percent will reduce economic growth by 1.106 percent. Likewise, on the contrary, every reduction in government spending in education 1 percent will increase economic growth by 1.106 percent.

Investment estimation results (X3) on economic growth (Y1) of -0.014 with a probability value of 0.911 at a significance level of 1 percent, this means that investment is not significant to economic growth.

The estimation results of economic growth (Y1) on labor absorption (Y2) is 0.035 with a probability value of 0.129 at a significance level of 1 percent, which means that economic growth is not significant for employment.

The estimation result of education government expenditure (X1) on employment absorption (Y2) is 0.106 with a probability value of 0.002 at a significance level of 1 percent so this means that government spending on education has a positive and significant effect on employment. Every increase in government expenditure in education by 1 percent will increase employment by 0.106 percent. Likewise, on the contrary, every reduction in government spending in education by 1 percent will reduce employment by 0.106 percent.

The estimation result of government health expenditure (X2) on employment absorption (Y2) is -0.320 with a probability value of 0.005 at a significance level of 1 percent, which means that government spending on health has a negative and significant effect on employment. Every increase in government spending in the health sector by 1 percent will reduce employment by 0.320 percent. Likewise, on the contrary, every decrease in government spending in the health sector 1 percent will increase employment by 0.320 percent.

Investment estimation results (X3) on labor absorption (Y2) is 0.482 with a probability value of 0.000 at a significance level of 1 percent, which means that investment has a positive and significant effect on employment. Every 1 percent increase in investment will increase employment by 0.482 percent. Likewise, on the contrary, Any decrease in investment of 1 percent will reduce employment by 0.482 percent.

DISCUSSION

Effect of Government Expenditures in the Field of Education on Absorption of Labor

As in the previous statistical calculations, it was found a result that was able to explain that government expenditure in education directly and indirectly had a positive and significant effect on employment through economic growth. These results are in accordance with the initial hypothesis stating that government spending in education has a positive and significant effect on indirect employment through economic growth.

According to Irawan and Suparmoko (2002) education is an important factor for the success of economic growth. Education is the greatest resource of benefits compared to other production factors, the level of education is also a measure of the quality of employment.

The influence of government spending on education on employment, supported by several empirical findings according to Irawan and Suparmoko (2002) education is an important factor for the success of economic growth. Education is the greatest resource of benefits compared to other production factors, the level of education is also a measure of the quality of employment.

Government expenditure in the education sector can be located to provide education infrastructure and provide educational services to all residents in South Sulawesi Province equally. The government places education as an important factor in supporting national development. This can be seen from the large amount of government expenditure for the education sector. The government provides a budget of at least 20% of the state budget for the education sector.

Given that the funds needed for equipment and educational equipment are not small, it is expected that government spending on education can be increased so that all parts of the education sector can be realized.

Effect of Government Expenditures in the Field of Health on Absorption of Labor

As in the previous statistical calculations, it was found a result that was able to explain that government spending on health directly and indirectly had a significant and negative effect on employment through economic growth. This result is not in accordance with the initial hypothesis stating that government spending in the health sector has a positive and significant effect on indirect employment through economic growth. That is, the hypothesis is rejected.

Government expenditure on health from year to year has increased. The estimation results show that government expenditure on health has a significant and negative effect on employment. These results indicate that government spending on health is right on target in helping people get free health but has not been felt evenly by the community so that there are still many people who cannot feel free health.

Effect of Investment on Labor Absorption

As in the previous statistical calculations, a result was found that was able to explain that investment directly and indirectly had a positive and significant effect on employment through economic growth. These results are in accordance with the initial hypothesis stating that investment has a positive and significant effect on indirect employment through economic growth.

Looking at these results it can be said that investment has an effect on employment in a certain area because investment is a major opportunity for economic actors. In theory, investment can drive trading volume as well as production volumes which will further expand more productive employment opportunities. This means that investment can stimulate the effect of labor demand which will have an impact on increasing per capita while at the same time increasing community welfare.

On the other hand investment activities like this not only need to be carried out by developing countries or regions that are starting to develop their business sectors but investments can be made by anyone and any region. This reasoning is in accordance with the opinion of Sukirno (2007) that investment activities are very possible to do because people will further increase their economic activities because of the opportunity to work.

This result is consistent with research conducted by Yani (2011) that the existence of investments poured out by the government and the private sector will open up new jobs for workers who do not have the right jobs. Although the existing investment is a capital intensive investment that is not very good at absorbing labor but the investment that takes place can reduce balance the number of job seekers in South Sulawesi.

The Government of South Sulawesi needs to increase investments that are oriented towards maximizing employment, so that it can create jobs in various economic sectors which in turn can provide broad employment opportunities for the community and earn a decent income to sustain consumption and investment in the future.

CONCLUSIONS AND RECOMMENDATIONS

Government expenditure in education has a positive and significant effect on employment through economic growth in South Sulawesi. Declaring Investment in terms of education is absolutely necessary so the government must be able to build a good educational facility and system. The budget allocation of government spending on education is a tangible manifestation of investment to increase people's productivity. Government health expenditure has a negative and insignificant effect on employment through economic growth in South Sulawesi Province. These results indicate that government spending on health is not well targeted in helping people to get free health so there are still many people who cannot feel free health. Investment has a positive and significant effect on employment through economic growth in South Sulawesi, this proves that a region will not be able to adapt without an investment clarity.

The government needs to increase the proportion of education expenditures. This government expenditure on education is expected to improve or increase access and facilities in the education sector. The allocation of the budget in the health sector needs to be improved so that it is recommended that the government continue to maintain and supervise so that the budget allocation can run well. The application of free health programs and free education and coupled with a better poverty alleviation program and income distribution is one way to accelerate the progress of economic growth, especially in rural areas that are still constrained by its geographical location.

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