



THE IMPACT OF UNEMPLOYMENT AND POVERTY ON ECONOMIC GROWTH AND THE HUMAN DEVELOPMENT INDEX (HDI)

Aji Priambodo

Universitas Perwira Purbalingga

ajipriambodo@unperba.ac.id

ABSTRACT

The Human Development Index (HDI) is formed by three basic dimensions, namely longevity and healthy living, knowledge, and a decent standard of living. HDI is an important indicator to measure success in efforts to build people's quality of life. HDI can determine strategic data or development level of a region / Country. The purpose of this study is to analyze the impact of unemployment and poverty on economic growth and human development index in Purbalingga Regency. This research is associative research. Associative research is research that aims to analyze the relationship between one variable and another. The data source used in this study is secondary data that has been processed by the Central Statistics Agency (BPS) consisting of: Data on the unemployment rate in Purbalingga Regency 2010-2019, poverty level data in Purbalingga Regency 2010-2019, economic growth data in Purbalingga Regency 2010-2019 and Human Development Index data in Purbalingga Regency 2010-2019. Data analysis uses multiple correlations. The results showed that unemployment and poverty affect economic growth and human development index in purbalingga district.

Keywords: Unemployment, Poverty, Economy, HDI

Introduction

Human development is a development process that aims to be able to have more choices, especially in income, health and education. According to the United Nation Development Programme (UNDP), the main goal of development is to create an environment that allows people to enjoy a long, healthy, and productive life. The Central Bureau of Statistics (BPS) has created a Human Development Index (HDI) that can explain how residents can access development results in obtaining income, health, education, and so forth. HDI is formed by three basic dimensions, namely longevity and healthy living, knowledge, and a decent standard of living.

HDI is an important indicator to measure success in efforts to build people's quality of life. HDI can determine strategic data or development level of a region / country. For

Indonesia, HDI is strategic data because in addition to being a measure of government performance, HDI is also used as one of the allocators of the General Allocation Fund (DAU). For countries in the world today, the success of their development is not only judged by the amount of Gross Domestic Product (GDP) they have, but also from how successfully they build the quality of human resources reflected through HDI. Purbalingga Regency is a regency in Central Java Province. This district is bordered by Pemalang Regency in the north, Banjarnegara Regency in the east and south, and Banyumas Regency in the west and south. The population of Purbalingga Regency according to *dinpendukcapil* in 2018 is 969,684 people.

HDI in Purbalingga Regency tends to increase. In 2010, the HDI value in Purbalingga Regency was 63.61 and continued to rise throughout the year until

2019 of 68.99. The highest increase in the HDI of Purbalingga Regency was in 2015, which increased by 67.03 from the previous year of 66.23 or increased by 0.8. While the smallest increase was 0.24 in 2017 which was 67.22 compared to the previous year of 2016 at 67.48.

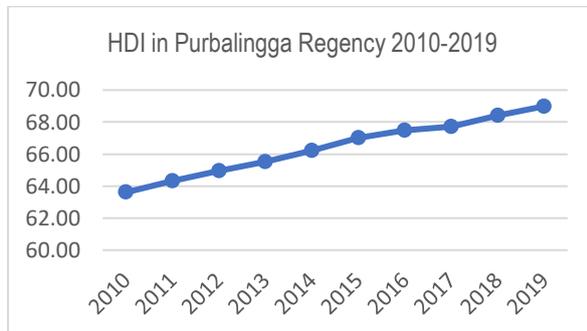


Figure 1.

HDI in Purbalingga Regency 2010-2019

Unemployed or unemployed is a term for a workforce that isn't working at all, is looking for work, is waiting for their next job project, or someone who is trying to get a decent job. The unemployment rate is the percentage between the division of the number of unemployed and the labor force. In Purbalingga Regency, throughout 2010 to 2019, tend to fluctuate, in 2010, the unemployment rate in Purbalingga Regency is still 3.82%, but again increased in 2011-2014 by 5% more, but again decreased in 2015 by 4.84% to increase in 2018 by 6.06% but again decreased in 2019 by 4.78%.

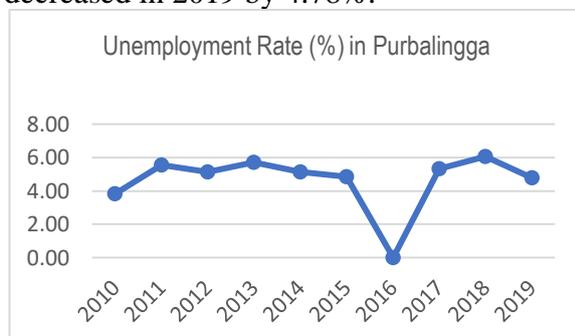


Figure 2.

Unemployment Rate (%) in Purbalingga 2010-2019

Economic growth is a state of increased revenue that occurs due to increased production in goods and services. This increase in income is not related to the

increase in the population, and can be judged by increased output, growing technology, and innovation in the social field. Economic growth also means a process of economic change that occurs in the country's economy over a period of time towards a better economic state. Generally, this economic growth is identical to the increase in production capacity realized by the increase in national income.

In line with the economy in Central Java, economic growth in Purbalingga Regency tends to be stable. In the opinion of Sadono Sukirno (2006), the definition of economic growth is a change in the level of economic activity that applies from year to year.

To know the growth, it must be done a comparison of income from year to year, which we know the pace of economic growth. Economic growth in Purbalingga Regency still ranges from 5-6 percent tends to be stable even though it had dropped in 2016 by only 3.93 percent.

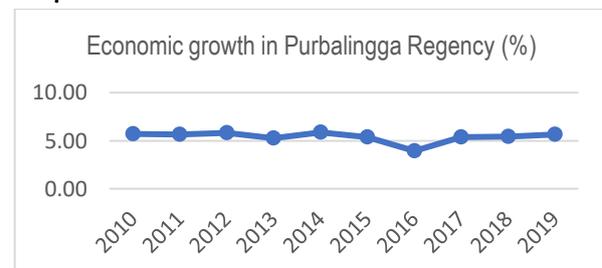
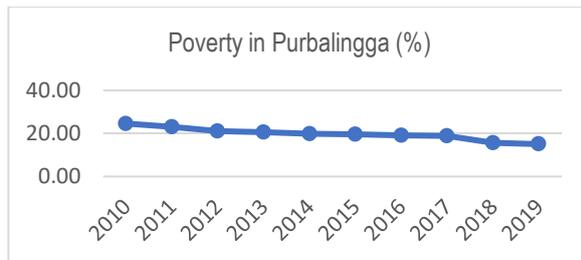


Figure 3.

Economic growth in Purbalingga Regency 2010-2019

Poverty in Purbalingga also tends to experience a significant decrease. In 2010, the percentage of poverty in Purbalingga remained at 24.58% and gradually decreased until 2019 which was only 15.03%. A significant decrease was in 2018, which decreased to reach 15.62% from the previous 18.80%.



Gambar 4.
Poverty in Purbalingga (%)

Literature Review

Economic Growth

Simply put, economic growth is defined as an increase in output or an increase in gross national income within a certain period of time (such as a year) (Prasetyo, 2009). If the actual reward for using production factors in a given year is higher than in previous years, the country's economy will grow. Conventional economic growth indicators are usually calculated by calculating the percentage of Gross Domestic Product (GDP) growth. GDP measures the total economic expenditure of goods and services recently produced within a given time or year, as well as the total revenue earned from all production of such goods and services, or more specifically, GDP refers to the country's production. Market value of all goods and services in a country within a certain period of time (Mankiw, 2001). Growth is usually calculated at real prices, with the aim of eliminating any inflation in production and service prices, so that real GDP reflects a change in birth output.

To determine regional economic growth, regional Gross Domestic Product (GDP) data is used, where GDP can be interpreted as the value of final goods and services produced by a region or regional economic system within a certain period of time. Therefore, GDP is a measure to measure economic activity in an area. In theory, GDP cannot be separated from Gross Domestic Product (GDP) in terms of concepts, definitions, methods, scope, and data sources. This is done to maintain the unity of concepts, definitions and methods used throughout Indonesia.

Poverty

Poverty is a condition of lack of common things such as food, clothing, boards and drinking water that are very closely related to quality of life. Poverty sometimes means not having access to education and jobs that can overcome poverty and get the respect it deserves (Sulaeman, 2018) An in-depth study of poverty and its root causes will reveal the different types and scales of poverty, because poverty itself is complex, dynamic, and related to the space and time of poverty from various angles. Poverty is divided into two standards, namely absolute poverty and actual poverty. Absolute poverty refers to poverty as measured by the level of income needed to meet its basic needs, while relative poverty refers to people who already have incomes to meet basic needs but are far below the conditions of the surrounding community. Poverty is divided by the level of poverty is temporary poverty and long-term poverty. According to the definition of BPS, the poor are the ones that do not economically meet the basic needs of food food in terms of expenditure. In this way, the poor are those who spend money per capita every month below the Poverty Line (GK). Technically, GK consists of two parts namely The Food Poverty Line (GKM) and the Non-Food Poverty Line (GKNM). GKM is the minimum food needs spending value equivalent to 2,100 kilograms of calories per person per day, and GKNM is housing, clothing, education and health.

Human Development Index (HDI)

Human development has a broad meaning, but the basic idea of human development is to create positive growth and change in human well-being in the economic, social, political, cultural and environmental fields. Therefore, human beings should be positioned as the potential wealth of the country, so that human development can create an environment conducive to their society, so as to enjoy a long and healthy life and a prosperous life (Human Development Report, 1990).

According to BPS, HDI explains how residents can access development results in obtaining income, health, education, and so on, and formed by three basic dimensions, namely: (1) longevity and healthy living (2) knowledge and (3) decent living standards. HDI is an important indicator to measure success in efforts to build human quality of life. HDI is also a strategic data, because in addition to being a measure of government performance, HDI is also used for one of the allocators of the General Allocation Fund (DAU).

Unemployment

Unemployed or unemployed people are people who do not have a job and are actively looking for work at working age (Iskandar, 2010). Unemployment in a country is the difference between the labor force and the actual use of labor (Sadono Sukirno, 2002). Samuelson, meanwhile, mentions that the unemployed are people who do not have a job but are in the business of finding work (Mankiw, 2000). A person who is not employed, but is not actively looking for work is not classified as unemployed. To measure unemployment in a country is usually used the so-called unemployment rate, i.e. the number of unemployed is expressed as a percentage of the total labor force (Mankiw, 2000).

RESEARCH METHODOLOGY

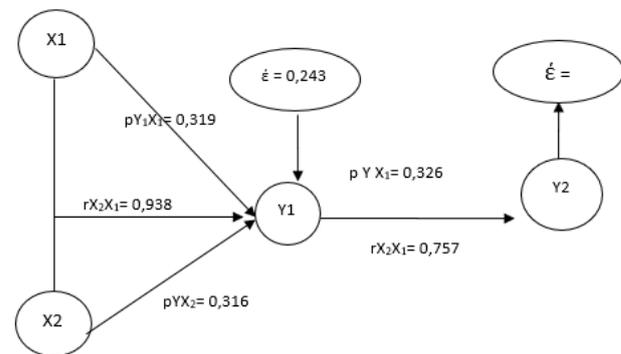
This research is associative research. Associative research is research that aims to analyze the relationship between one variable and another (Kuncoro, 2011). The data source used in this study is secondary data that has been processed by the Central Statistics Agency (BPS) consisting of:

- Unemployment rate data in Purbalingga Regency 2010-2019.
- Poverty level data in Purbalingga Regency 2010-2019.
- Economic growth data in Purbalingga Regency 2010-2019.
- Human Development Index Data in Purbalingga Regency 2010-2019.

The research variables operationalized in this study are closely related variables over a period of 10 years, namely from 2010 to 2019. Data retrieved by the author is time series data or time series. Refers to the theoretical foundation and frame of thought in the image that connect the interrelationships between variables. So the analysis used to support this study is multiple correlations

Results and Discussion

Based on the results of the data analysis can be described the impact of unemployment (X1) and poverty (X2) on economic growth (Y1) and HDI (Y2) as follows:



Poverty is one of the fundamental elements of the problem that is the center of attention of the government in the State and in any region. Poverty is one of the problems faced by all countries, especially in developing countries such as Indonesia, Malaysia and others. This is because poverty is multidimensional, meaning that because the needs of every human being are diverse, poverty also has many primary elements in the form of poor assets and skills and secondary aspects in the form of poor social networks, financial resources, and information and others. Poverty is no longer understood only as an incompetence in the economy, but also a failure to fulfill basic rights and differences in treatment for a person or group of people in living a dignified life. Generally recognized basic rights include the fulfillment of food needs, health,

education, employment, housing, clean water, land, natural resources, the environment, a sense of security from the treatment or threat of violence, and the right to participate in socio-political life. In the end, the level of unemployment and poverty in a region will affect the economic growth of a country or region, this is clear considering that economic growth is one of the very important indicators to assess the performance of an economy, especially to conduct an analysis of the results of economic development that has been implemented by a country or a region.

The economy could be said to be growing if the production of goods and services increased from the previous year. The economic growth of the community shows the extent to which economic activity can generate additional income or welfare of the community in a certain period. The economic growth of a Country or Region that continues to show improvement illustrates that the economy of the country or region is developing well. Research conducted by Retnowati, et al (2017), shows that unemployment has a positive and significant influence on the number of poor people. Probosiwi research (2018) stated that the unemployment rate did not show a significant influence on poverty levels. Research by Isaf (2013), states that uncontrolled unemployment will lead to poverty.

Research from Wiguna (2013), showed that GDP variables have a negative and significant effect on poverty. In the end, unemployment and poverty will affect the economic growth of a country or region, this is clear considering economic growth is one of the very important indicators in assessing the performance of an economy, especially to conduct an analysis of the results of economic development that has been implemented by a country or a region. The economy is said to be experiencing growth when the production of goods and services increased from the previous year. Economic growth indicates the extent to which economic activity can generate additional income or welfare of the community in a given period. The economic growth of a Country or region that continues

to show improvement illustrates that the economy of the country or region is developing well.

Efforts to improve the basic abilities of the population can be made by improving the health, knowledge, and skills of the population. It is important that the economic activities of the population in a region and the country run productively. Effectiveness in raising the Human Development Index is the main growth in choosing a strategy or instrument of development. To improve the Human Development Index (HDI) not only rests on economic improvement alone, but the need for development from all aspects (Ardiansyah and Widiyaningsih, 2014). For equitable development. With the equalization of development, there is a guarantee that all residents feel the results of the development. One of the main indicators of national development success is the rate of decline in the number of poor people. One of the main indicators of national development success is the rate of decline in the number of poor people. This means that one of the main criteria for choosing a heavy point sector or a mainstay sector of national development is effectiveness in decreasing the number of poor people (Simatupang and Saktyanu K, 2003). Decreasing the number of poor people will affect the number of unemployed people, and reduce the income distribution inequality (Gini Ratio) figure. Poverty is a complex problem that is influenced by various interrelated factors, including people's income level, unemployment, health, education, access to goods and services, location, geography, gender, and environmental location. Poverty is no longer understood only as economic incompetence, but also failure to meet basic rights. Generally recognized basic rights include the fulfillment of clothing needs, food, boards, health, education, employment, income, housing, natural resources, the environment, a sense of security from the treatment or threat of violence, and the right to participate in socio-political life.

Rumahorbo (2014) stated that human development in Indonesia is synonymous

with poverty reduction and according to Sulistio Mirza (2011) in the journal entitled "The Influence of Poverty, Economic Growth, and Capital Expenditure on The Index of Human Development in Central Java" states that poverty has a negative and significant influence on the level of 5% on HDI in Central Java Province which means that poverty is decreasing, the Human Development Index is increasing. Poverty alleviation also requires proper analysis, involves all components of the problem, and a proper, sustainable and non-temporary management strategy is required.

A number of variables can be used to track poverty issues, and from these variables are produced a series of targeted and sustainable poverty alleviation strategies and policies. From the educational dimension for example, low education is seen as the cause of poverty. Unemployed people are people who are not working at all or are looking for work. Unemployment is a reality faced not only by developing countries, but also developed countries. In general, unemployment is also a situation where a person who belongs to the labor force category does not have a job. The high unemployment rate in a country can have a negative impact on the country's economy. Unemployment will be a burden on itself, not only for the government, but also impacting families, the environment, and so on. In addition, the high unemployment rate in a country, can also increase the number of crimes, increase social unrest, and increase poverty and reduce the quality of human development within a country. Furthermore, in terms of the economy, unemployment is a product of the market's failure to provide jobs that meet the needs of the labor force, or in other words the number of jobs is much less than the number of available labor force.

Income Distribution Inequality is an economic inequality that means poverty and inequality. In order for inequality and development between one region and another not to create a wider gap, the implications of wisdom on the development cycle of development must be formulated appropriately. Inequality is caused naturally

due to a small development process, and policy imbalances, such as government investment in the form of local government expenditures (Noegroho. et al., 2007). Human development needs to be done in order to reduce income distribution inequality between regions / cities. One of the results of William Easterly's study (2006) revealed that high levels of inequality are inhibitions of prosperity, and the development of high-quality education. Increasing the income of the population as one of the indicators of welfare is often used as the final target of a country's national development. The problem of Income Distribution Inequality has long been a complicated issue in the implementation of economic development implemented by a number of poor countries and developing countries such as Indonesia. Income Distribution Inequality occurs due to the uneven distribution of income in a number of regions in a country.

Conclusion

The results showed that unemployment and poverty affect economic growth and human development index in Purbalingga Regency. Unemployment and poverty negatively affect economic growth and HDI.

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