

THE EFFECT OF ECONOMIC GROWTH AND LABOUR ABSORPTION ON POVERTY RATE IN MALUKU PROVINCE 2007-2021**Sherly Ferdinandus¹, Ventje Jeffry Kuhuparuw²**¹Development Economics Study Program, Universitas Pattimura, Ambon²Business Administration Program, Politeknik Negeri Ambon

Email : ferdinandusserly@gmail.com

ABSTRACT

This study aims to analyse: The Effect of Economic Growth on Poverty Level in Maluku Province; The Effect of Labour Absorption on Poverty Level in Maluku Province; The Effect of Economic Growth and Labour Absorption on Poverty Level in Maluku Province This study uses time series data. Which starts from 2007 to 2021. Data analysis uses multiple regression analysis. The results showed that partially and simultaneously economic growth and labour absorption had an influence on the poverty rate in Maluku Province.

Keywords: Economic Growth, Labour Absorption, Poverty Level.

INTRODUCTION

In general, economic growth describes economic activity or activities in producing goods and services in a region. High and sustainable economic growth is the main requirement or necessity for the sustainability of economic development and welfare improvement. Sukirno (2012) explains that economic growth is the development of economic activity which results in increased production of goods by the community. Therefore, if economic growth is high, the goods to be produced will also increase. Therefore, more workers are needed to produce these goods/services, thereby reducing unemployment and poverty. If people are not unemployed, it means they have a job and income, and with work income, they are expected to be able to meet the needs of life.

Poverty in Indonesia is caused by various factors, including the low level of employment opportunities. Low employment opportunities are described by the lack of availability of jobs for job seekers, this of course has an impact on unemployment. High employment opportunities can reduce unemployment as well as poverty. Therefore, the role of the government is needed to expand or provide jobs so that unemployment problems can be resolved, of course, this will be followed by a decrease in poverty.

Economic growth in Maluku province fluctuates from year to year. Data for the last fifteen years from 2007 to 2021 shows that economic growth has increased in 2014 reaching 6.64% in 2010 reaching 6.47%, then in 2012 reaching 7.16% in this year experiencing a significant increase. But then experienced a decline in 2018 reaching 5.91%, in 2017 reaching 5.82%, in 2009 reaching 4.86% and a drastic decline occurred in 2021 reaching 3.04% and in 2020 reaching 0.92% This is a consequence of the fluctuations that occur in GRDP.

The number of employment in Maluku Province also experienced fluctuations in the number of high employment in 2021 reaching 860,344 people in 2020 reaching 839,190 people in 2019 reaching 770,386 people in 2018 reaching 755,034 people

and a decrease in employment in 2013 reaching 663,481 people and also in 2007 reaching 552,729. Furthermore, it can be seen that the growth rate of employment experienced fluctuations in 2010 reaching 21.51% in 2020 reaching 8.93% in 2015 reaching 8.17% in 2011 reaching 7.76% and a decrease in 213 reaching 0.53%.

Poverty is a typical unresolved problem, especially in developing countries, where poverty is a problem and concern of all countries. The issue of poverty is one of the main problems faced by the Indonesian people since ancient times. The various development plans, policies and programmes to be implemented, basically reduce the amount of poverty.

The number of poor people with average expenditure per year from 2007-2021 Below the poverty line or what we call the poor, in the 2014 period reduced by 307.00 people, the 2019 period reduced by 315.21 people, the 2019 period reduced by 317.69 people, the 2020 period reduced by 318.18 people and the 2018 period reduced to 320.08 people. In line with that, it can be seen again a high increase in population in the 2007 period of 404.70 people, also in the 2010 period of 389.50 people when compared to the situation in the 2009 period of 369.10 people.

The research problems are: (1) How does economic growth affect the poverty rate in Maluku province in 2007-2021, (2) How does employment affect the poverty rate in Maluku province in 2007-2021, and (3) How do economic growth and employment affect the poverty rate in Maluku province in 2007-2021.

THEORETICAL FRAMEWORK

Economic Growth

Economic growth is the increase in the value and quantity of goods and services produced by a country over a certain period of time. several indicators, such as an increase in national income, per capita income, the number of workers exceeding the number of unemployed, and a decrease in the poverty rate. Economic growth is defined as an increase in GDP or GNP, an increase above or below the rate of population growth and changes in economic structure or improvements in the institutional system.

According to Sukirno (2011) "economic growth is defined as the development of activities in the economy which causes the goods and services produced in society to increase and the prosperity of society to increase" Economic growth is an overall increase in people's income (Tarigan, 2005) Economic development is generally defined as the process of importing to increase per capita income by the State.

Characteristics of Economic Growth

According to Kuznets (Jhingan, 2013) defines economic growth as a long-term increase in a country's ability to supply various types of economic goods to its population this capacity grows with technological progress and the necessary institutional and ideological adjustments. A country's economic growth is an increase in its ability to provide economic goods to its people. In economic growth, this capacity is fuelled by technological and institutional advances and the necessary idealistic adjustments.

According to Kuznets (2000: 144), the process of economic growth found in almost all developed countries has six characteristics. (a) High rates of production growth and per capita population growth. (b) High rate of increase in total factor productivity, (c) Advanced economic structural changes, (d) Major social and

idealistic changes, (e) Developed countries tend to look elsewhere for new markets and sources of raw materials, (f) Make up about one-third of the world's population. High per capita production growth and population growth,

Labour Absorption

Labour absorption is the population of the working age group or working age who are or are looking for work. Working age is the age of the population that can work and earn their own income. The working age covers the age range between 15 and 65 years old, which is subject to Indonesian government regulations. A working-age population that is unemployed or unwilling to work is called inactive.

The approach in this method includes labour that is actively working or looking for work in both activities within a certain period of time. Thus, this approach is able to distinguish the labour force into three groups, namely: Unemployed, meaning those who are not working at all or are looking for work. This group is often referred to as open employment. Based on this definition, the unemployment rate in Indonesia is generally low, ranging from 3% to 5% per year. Underemployment, which is people who have a job but are underutilised. This means they work less than 35 hours a week. Based on this definition, the unemployment rate in Indonesia is railway. high, as this figure is around 35% per year. Fully employed, viz. Full-time employment or labour services that do not exceed hours per week.

Poverty rate

In general, poverty is a condition in which a person or group of people cannot fulfil their basic rights to maintain and develop a life of dignity. the concept used by BPS as well as several other countries is the ability to fulfil basic needs. This makes poverty unable to fulfil basic food and non-food needs in economic terms (expenditure measurement).

According to the Central Statistics Office (2000), a situation in which individuals or groups of people are unable to meet essential needs such as food, clothing, council, education, health and this also meets minimal needs. The standard of living set by the Central Bureau of Statistics in 2012 was IDR 355,740.00/month, in other words, a per-individual income of IDR 11,000.00/day. People whose income is below the BPS standard are considered poor.

Robert Chamber (2010) is an integrated concept of poverty with five dimensions: (1) poverty itself, (2) powerlessness, (3) vulnerability to emergencies (emergency situations) (4) dependency, and (5) geographical and social isolation Poverty is multidimensional, which is the root of the problem of poverty itself when viewed from the needs of many people, because it is complex, that is, poverty does not appear suddenly, but has a long and complex background. It is very difficult to find. Poverty also has a primary aspect of poverty in wealth, socio-political organisation, knowledge and skills, and a secondary aspect of poverty in social networks, financial resources and information. The impact of the nature of poverty is reflected in malnutrition, inadequate water and housing, inadequate health services, and low levels of education. Accessibility, people who do not have or have far access to places where there are necessities of life, social infrastructure, and information will have difficulty in fulfilling their daily needs.

METHODS

Data Source

The Central Bureau of Statistics (BPS) of Maluku Province, as well as other relevant agencies to support the completeness of the required research data in the form of time series from 2007 to 2021 as follows: Economic Growth Data from 2007 to 2021, Labour Force Data from 2007 to 2021, Poverty Rate Data from 2007 to 2021.

Data Analysis Method

The method used is to use a quantitative descriptive approach with case study research which is used to collect, manage, and then present observational information so that other parties can easily get an overview of the object of the research. Quantitative descriptive is done to answer research questions, namely analysing the influence between variables. The information analysis test tool uses multiple regression analysis, which is about analysing the shape and level of the relationship between one dependent variable and more than one independent variable. For the validity of the information, the classic assumption test and the classic hypothesis test are used.

Multiple direct regression analysis is intended to see how much influence between free variables on subordinate variables. In this multiple straight model, it will be seen the amount of contribution for the independent variables together to the dependent variable by looking at the total determination coefficient (R^2). If the total determination (R^2) obtained is close to one so it can be said to continue to be strong the model explains the bond of the independent variable to the dependent variable. The opposite is when the total determination (R^2) is getting closer to 0 (zero) until the weaker the influence of the independent variables on the dependent variable.

This test is tried to see the effect of the independent variable on the dependent variable simultaneously. This test is tried to compare the level of significant value with the value of α (5%) at the 5% degree level. The final decision is by looking at the significance value α (5%) with the following conditions: If the significant value $< \alpha$ until H_0 is rejected, If the significant value $> \alpha$ until H_0 is accepted.

This test is tried to see the effect of the independent variable on the dependent variable partially with a degree of validity of 5%. The final decision is by looking at the significance value compared to the α value (5%) with the following conditions: If the significant value $< \alpha$ to H_0 rejected, If the significant value $> \alpha$ to H_0 accepted

The normality test aims to determine the distribution of information in the variables that will be used in the study. Information that is good and suitable for use in research is information that is normally distributed. The normality of information can be seen using the Normal Kolmogorov-Smirnov test. With decision making: If Sig > 0.05 then the information is normally distributed, if Sig < 0.05 then it is not normally distributed.

The Multicollinearity test aims to determine the distribution of information for the variables used in the study. To determine whether there are independent variables that show similarities between the independent variables in the model, appropriate and appropriate information used in the study is required. The similarity between independent variables results in a very strong correlation. In addition to this test, the practice of determining the effect of partial testing on each independent variable on the dependent variable must also be avoided. If the resulting VIF is between 1-10 then there is no multicollinearity.

Autocorrelation test occurs because successive observations in a time series are related. To detect the presence or absence of autocorrelation in a study. If there is a correlation, it is called an autocorrelation problem. This problem arises because the residuals (confounding errors) are not free from one observation to another.

To determine the presence of autocorrelation in a regression model, it is done through testing the value of the Durbin Watson test (DW Test). With the criteria for assessing whether or not the autocorrelation test is free (Ghozali, 2013: 95).

Heteroscedasticity test is used to determine whether there is a deviation from the model due to differences in variance between observations from one observation to another. The purpose of the heteroscedasticity test is to test whether there is an inequality between the differences in the regression model and other observations. If the differences and persistence between one observation and another observation are fixed, it will speak of homoscedasticity, and if they are different, it will call heteroscedasticity.

The Hausman test is a statistical test used to choose whether the Fixed Effect or Random Effect model is most appropriate to use. The hypothesis of the Hausman test is as follows: H_0 : the model follows Random Effect, H_a : the model follows Fixed Effect. Determining a good model follows Chi-Square statistics or Cross Section Random by looking at whether the probability (p-value) is greater or less than alpha (α) 0.05 or 5%. If the $p\text{-value} > \alpha$ (0.05), then H_0

RESULTS AND DISCUSSION

Discussion

The results of processing the data both partially and simultaneously all have an effect from the results of multiple linear regression data estimation, it can be seen that the economic growth variable has a probability value of 0.0023 <5%. This concludes that the economic growth variable has a significant effect on the poverty rate in Maluku province.

Judging from the results of the analysis, it can be seen that the relationship between economic growth and the poverty rate has a significant effect at the level which means H_0 is rejected and H_a is accepted. The results of this study are in accordance with the research of Ahmad Afini (2018), whose research results show that economic growth has a significant and negative effect on poverty rates in districts / cities in Lampung province.

According to Sukirno, who said that rapid and sustainable economic growth leads to increased demand for labour and wage growth, which ultimately reduces poverty. Economic growth also increases public sector revenues and increases government spending on physical and social infrastructure, which helps reduce poverty.

Based on theory, it can be said that the acceleration of economic growth in the region affects the regional poverty rate, which occurs in Maluku province is slow and low economic growth, so that economic growth in Maluku province in 2007-2021 does not affect poverty.

The economic growth of Maluku Province fluctuates between 2007-2021, where the poverty rate tends to experience annual fluctuations in the same period. this shows that the poverty rate in Maluku Province is also influenced by slow economic growth where economic growth is relatively decreasing, so the number of poor people tends to increase. The negative and significant effect on the poverty rate is due to the slowdown in economic growth which causes a decrease in demand for jobs and an

increase in workers' wages. This will eventually lead to an increase in the number of poor people, so that the poverty rate will increase.

The Effect of Labour Force on Poverty Level in Maluku Province 2007-2021

From the estimation results of multiple linear regression data, it can be seen that the labour force variable has a probability value of $0.0000 < 5\%$. This concludes that the labour force variable has a significant effect on the poverty rate in Maluku province.

Judging from the results of the analysis, it can be seen that the relationship between the labour force and the poverty rate has a significant effect on the poverty rate, which means that H_a is accepted and H_o is rejected. The results of this study are in accordance with the research of Komang Agus Adi Putra (2016), whose research results show that the unemployment rate has a positive and significant effect on the poverty rate.

However, according to Soemitro Djojohadikusumo, the labour force is a population defined as part of the population that has a job or is looking for an opportunity to do productive work. It can also be called human resources. The number of employees depends on the composition of the population. Population growth, especially of working age results in a large labour force. Such a large labour force is likely to increase economic activity, which in turn improves people's welfare. In reality, a large population as much as does not always have a positive impact on welfare. The term and definition of work used refers to the work proposed by the International Labour Organization (ILO). This concept divides the working-age population (15 and above used) into and the non-working age population (below 15). Working-age people are people who are expected to have the ability to work and earn their own income. These working-age people are aged between 15 and 55 years. In addition to the working age, there is also a non-working age population, which is below the working age and older the population is primary school age and is retired or elderly.

The Effect of Economic Growth and Labour on Poverty Level in Maluku Province 2007-2021

From the test results, it can be seen that economic growth and labour absorption obtained a probability value of $0.000064 < 0.05$. Based on the results above, it can be seen that the economic growth variable has no significant effect on the poverty rate. At the same time, labour force absorption reduces poverty. Similarly, per capita income reduces the poverty rate, but also reduces the effect of labour force absorption on poverty reduction. Therefore, policy makers in the public sector are advised to be able to continue to increase their maximum capacity to absorb the current labour force and encourage people to increase their per capita income so that it is expected to reduce poverty in Maluku province.

However, this impact can vary from country to country. Income distribution conditions, population, urbanisation are important links in determining the impact between economic growth and poverty reduction (Hasan and Quibria, 2002). According to Jonaid (2012), there is a strong two-way relationship between economic growth and poverty in Indonesia. Economic growth has a significant impact on poverty reduction, especially in rural areas where poverty rates are high.

CONCLUSION

Economic growth has a significant effect on the poverty rate, labour absorption has a significant effect on the poverty rate and economic growth and labour absorption simultaneously or jointly affect the poverty rate in Maluku province in 2007-2021.

Suggestions are provide education to the working age population so that the workforce has competent and expected skills and abilities. So that a trained and equipped workforce is ready to face competition in the world of work. Create entrepreneurship training for the people of Maluku province based on what the community already has. Apart from the government trying to increase employment opportunities, this is very effective because there are people who are highly entrepreneurial but do not have qualified knowledge. Provide complete and fast information to the people of Maluku province when there are vacancies in various fields.

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