
Analysis of the Influence of Unemployment and Poverty Levels on Economic Growth in West Sumatra Province in 2017-2021

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ABSTRACT

The background of this research is that unemployment and poverty have fluctuated from 2017-2021, while economic growth has decreased from 2017-2020 and has increased in 2021. This situation was triggered by the unstable state of economic development in West Sumatra Province. In this economic development, the concept of economic growth emerges which is a process of changing the economic conditions of a region to lead to a better state. Economic growth is influenced by various factors, such as unemployment and poverty. This study aims to prove empirically and see whether unemployment and poverty rates affect economic growth. The method used is associative quantitative and the data comes from BPS with a 5 year time series. partial research results, namely the unemployment rate (X1) does not have a negative effect on economic growth (Y) so that H0 is accepted and Ha is rejected. Meanwhile, poverty (X2) has a negative effect on economic growth (Y) so that H0 is rejected and Ha is accepted. Simultaneously, the unemployment rate (X1) and poverty (X2) have a negative effect on economic growth (Y), so that H0 is rejected and Ha is accepted.

Keyword : Unemployment, Poverty, Economic Growth

INTRODUCTION

Development is the process of increasing the total income that occurs within a region. In practice, economic development requires direction in order to create strength in the economy. If economic development can be carried out optimally, it will indirectly improve all aspects in a region and will affect its more stable economic growth.

Sadono Sukirno argues that economic growth is an increase in the amount of production of all forms of goods and services. In practice, economic conditions in a country can be positive or negative. Positive conditions indicate an increase and negative conditions indicate a decrease in a certain period of time in an area.

In this research, the object is West Sumatra Province. We can see data in the BPS which shows that economic growth has fluctuated. The reason is due to the instability of development that occurs, such as the distribution of production goods between regions that are not evenly distributed, the use of resources between regions that is not optimal, and the low mobility of factors of production in the production of goods and services so that people's incomes become unequal and will directly affect total economic growth.

Even so, high economic growth does not necessarily reflect that all problems have been resolved, but there are still many other problems that impede the development process. The reason is because there are still limited available resources so that inequality arises. The problems that arise from this inequality are unemployment and poverty.

After identifying the BPS data, it was found that the unemployment rate still showed quite high fluctuations. This indicates that the number of available jobs has not been maximized, so that many people are still unable to find work. The cause of this is the high competition in finding work. Jobs are limited but along with the increase in population,

there will be high competition. Thus, if the unemployment rate increases continuously, the lower the social welfare due to the lack of income so that it will automatically indicate an unstable condition of total economic growth.

Apart from unemployment, it turns out that there are also other problems that impede economic growth, namely poverty. BPS data shows that the percentage of poor people fluctuates. The problem of poverty is connoted as a condition where a person's inability to meet their needs properly. The beginning of this problem is the lack of income for the community because many are not working. If this poverty occurs continuously, it will have an impact on the unstable condition of overall economic growth in a region.

Furthermore, referring to previous studies, namely research from Rahmat Imanto, et al, entitled, "The Effects of Unemployment and Poverty on Economic Growth in South Sumatra Province". This research has similarities with this research on the variables. However, the difference lies in the broader research object, namely the Regency/City area with a period of 5 years. Of course, these differences allow for novelty and get more interesting phenomena with previous research.

LITERATURE REVIEW

- 1. Economic growth**, is the physical development of the production of goods and services that apply in a country, such as the increase and the amount of production of industrial goods, infrastructure development, increase in the number of schools, increase in production of the service sector and increase in production of capital goods.
- 2. unemployed**, is the condition of someone who is included in the labor force criteria, but has not found a job. The main reason is the total lack of spending. Producers create goods and services with the aim of making a profit. However, the profit is obtained when the resulting product is successfully sold. The more demand, the higher the amount of production so that the use of labor will also increase.
- 3. Kpoverty**, is the inability of a person to support himself. This term appears when someone does not have enough income to meet their needs. In general, poverty is interpreted as a deprived condition for their survival. Experts assume that the problem of poverty is defined as people who are below the poverty line.
- 4. Effect of Unemployment Rate on Economic Growth**
According to the Solow-Swan theory, unemployment occurs because many people are not working, while economic growth will drive many sectors. The movement of this sector requires an adequate workforce so that the sector can run smoothly. If the sector can run smoothly, then it can be said that the absorption of the required workforce has been fulfilled. The workforce that has been fulfilled will reduce the unemployment rate. The reduced unemployment rate will directly affect the increase in economic growth. From the explanation above, it can be seen that unemployment has a negative effect on economic growth.
- 5. The Effect of Poverty on Economic Growth**
According to the Richardo-Malthus theory, poverty occurs because many people have minimal income so they are unable to meet their needs properly. This is due to the fact that the population is growing rapidly so that it will double the population in one generation. In this situation, workers will receive very minimal wages, which can reduce the level of social welfare and cause poverty. The emergence of poverty will directly affect the decline in economic growth. From the explanation above, it can be seen that poverty has a negative effect on economic growth.
- 6. Influence Unemployment and Poverty Rates on Economic Growth**
According to the Harrod-Domar theory, the balance of economic growth in a long-term perspective is seen from the amount of aggregate demand that occurs. This

aggregate demand will lead to a large absorption of labor so that people have sufficient income to meet their daily needs. The large amount of labor absorption will reduce the unemployment rate, while people's incomes that are increasingly adequate will reduce the poverty rate. Reduced unemployment and poverty will directly affect the increase in economic growth.

Based on the theory above, the hypothesis used in this study is as follows:

- H01 : The unemployment rate does not have a partial negative effect on economic growth.
H02 :Poverty does not have a partial negative effect on economic growth.
H03 :Unemployment and poverty rates do not have a simultaneous negative effect on economic growth.
Ha1 : Unemployment ratepartially negative effect on economic growth.
Ha2 :Poverty has a partial negative effect on economic growth.
Ha3 : Unemployment and poverty rates have a negative effect simultaneously on economic growth.

RESEARCH METHODS

Research Approach,The method used is associative quantitative which focuses on testing theory through measuring variables with numbers so that they become more measurable. This research uses multiple linear regression analysis. In it there are several tests that are a requirement in carrying out multiple linear regression tests, such as normality tests, homogeneity tests, linearity tests, multicollinearity tests, heteroscedasticity tests, autocorrelation tests. The formulation used in multiple linear regression analysis is:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + e$$

Y = Economic growth, X1 = Unemployment rate, X2 = Poverty, β_1 = Regression coefficient of unemployment rate, β_2 = Regression coefficient of poverty rate, α = Constant number, e = Error factor.

RESEARCH RESULT

Normality test,test whether or not a regression model is normal at 5% significance. Following are the results obtained through the analysis of the SPSS program:

Table 1 Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residuals
N		43
Normal Parameters, b	Means	.0000000
	std. Deviation	.34760559
Most Extreme Differences	absolute	.090
	Positive	.090
	Negative	-.084
Test Statistics		.090
asymp. Sig. (2-tailed)		.200c,d
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

From the table, it appears that the acquisition value is $0.200 > 0.05$, so it is concluded that the regression model is normally distributed.

Multicollinearity Test, testing the high and low correlation between independent variables. Following are the results obtained through the analysis of the SPSS program:

Table 2 Multicollinearity Test

Coefficientsa	
Model	Collinearity Statistics

		tolerance	VIF
1	(Constant)		
	Unemployment Rate	1,000	1,000
	Poverty	1,000	1,000

a. Dependent Variable: Economic Growth

From the table, it can be seen that the acquisition of $VIF = 1.000 < 10.00$ and $Tolerance = 1.000 > 0.10$, so it is concluded that the regression model is not affected by symptoms of multicollinearity.

Heteroscedasticity Test, testing the dissimilarity of the variance between the residuals with one another. Following are the results obtained through the analysis of the SPSS program:

Table 3 Heteroscedasticity Test

Coefficientsa						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	std. Error	Betas		
1	(Constant)	.371	.209		1,781	.082
	Unemployment Rate	-.007	.024	-.044	-.277	.783
	Poverty	-.008	.026	-.050	-.319	.751

a. Dependent Variable: Abs_Res

From the table, it can be seen that the acquisition of sig Unemployment Rate (X1) = $0.783 > 0.05$ and Poverty sig (X2) = $0.751 > 0.05$, so it is concluded that the regression model is not affected by symptoms of heteroscedasticity.

Autocorrelation Test, test whether in a linear regression model there is a correlation between the residuals in period t with the residuals in period t-1. Following are the results obtained through the analysis of the SPSS program:

Table 4 Autocorrelation Test

Summary modelb					
Model	R	R Square	Adjusted R Square	std. Error of the Estimate	Durbin-Watson
1	.493a	.243	.205	.35619	1.628

a. Predictors: (Constant), Poverty, Unemployment Rate

b. Dependent Variable: Economic Growth

From the table, the values obtained from: $dw = 1.628$ and $du = 1.6091$ (seen from Durbin Watson table), total $n = 43$ and $k = 2$ (number of independent variables)

$$du < dw < 4 - du \quad 1.6091 < 1.628 < 4 - 1.6091 \quad 1.6091 < 1.628 < 2.3909$$

From calculation of the formula above, the formula $du < dw < 4 - du$ is fulfilled. So, it can be concluded that the regression model does not show autocorrelation symptoms.

Multiple Linear Regression Test, testing the effect of the independent variables on the dependent variable. Following are the results obtained through the analysis of the SPSS program:

Table 5 Multiple Linear Regression Test

Coefficientsa						
Model		Unstandardized Coefficients		Standardized Coefficients	Q	Sig.
		B	std. Error	Betas		
1	(Constant)	6,074	.372		16,313	.000
	Unemployment Rate	.057	.043	.182	1,323	.193

	Poverty	-.155	046	-.461	-3,352	002
a. Dependent Variable: Economic Growth						

From the table, the regression equation is obtained:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e. Y = 6.074 + 0.057 X_1 - 0.155 X_2 + 0.372$$

Adjusted R Square, to determine the percentage contribution of the influence of the unemployment rate and poverty variables on economic growth variables. Following are the results obtained through the analysis of the SPSS program:

Table 6 Adjusted R Square

Summary modelb				
Model	R	R Square	Adjusted R Square	std. Error of the Estimate
1	.493a	.243	.205	.35619
a. Predictors: (Constant), Poverty, Unemployment Rate				
b. Dependent Variable: Economic Growth				

From the table, the value of Adjusted R Square is 0.205. This indicates that the percentage of diversity in economic growth that can be analyzed by unemployment and poverty rates is 20.5%, while the remaining 79.5% is not analyzed in this study or explained by other variables.

Partial Significance Test (t test), examines the effect of the independent variable on the dependent variable partially (partially). In this research, it will be seen whether the influence of unemployment and poverty rates partially or partially on economic growth. Following are the results obtained through the analysis of the SPSS program:

Table 7 Partial Significance Test (t test)

Coefficientsa						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	std. Error	Betas		
1	(Constant)	6,074	.372		16,313	.000
	Unemployment Rate	.057	.043	.182	1,323	.193
	Poverty	-.155	.046	-.461	-3,352	.002
a. Dependent Variable: Economic Growth						

From the table, it can be seen that the tcount of unemployment rate (1.323) < ttable (2.023), Sig (0.193) > 0.05 so it can be concluded that the unemployment rate (X1) does not have a partial negative effect on economic growth (Y), Ho is accepted and Ha is reject. Meanwhile tcount Poverty (3.352) > ttable (2.023), Sig (0.002) < 0.05 so it can be concluded that poverty (X2) has a partial negative effect on economic growth (Y), Ho is rejected and Ha is accepted.

Simultaneous Significance Test (F Test), testing the effect of independent variables on the dependent variable simultaneously (simultaneously). In this research, it will be seen whether the simultaneous effect of unemployment and poverty rates on economic growth. Following are the results obtained through the analysis of the SPSS program:

Table 8 Simultaneous Significance Test (F Test)

ANOVAa						
Model		Sum of Squares	df	MeanSquare	F	Sig.
1	Regression	1629	2	.815	6,422	.004b
	residual	5,075	40	.127		
	Total	6,704	42			
a. Dependent Variable: Economic Growth						

b. Predictors: (Constant), Poverty, Unemployment Rate

$F_{table} = 3.226$

From the table, it appears that the acquisition of $F_{count} (6.422) > F_{table} (3.226)$, $sig (0.004) < 0.05$ so it is concluded that the Unemployment Rate (X1) and Poverty (X2) have a simultaneous negative effect on Economic Growth (Y), H_0 is rejected and H_a accepted.

DISCUSSION

1. Effect of Unemployment Rate on Economic Growth

The results of this research do not support the Solow-Swan theory, which assumes that unemployment occurs because many people are unemployed, while economic growth will drive many sectors. The movement of the sector requires adequate manpower so that the sector can run smoothly. If the sector can run smoothly, it can be said that the absorption of the required workforce has been fulfilled. The workforce that has been fulfilled will reduce the unemployment rate. The reduced unemployment rate will directly affect the increase in economic growth. (Nurul Huda and et al, 2017)

Furthermore, the results of this study also do not support the research conducted by Farathika Putri Utami entitled, "The Influence of the Human Development Index, Poverty, Unemployment on Economic Growth in Aceh Province"; research conducted by Moh. Arif Novriansyah entitled, "The Influence of Unemployment and Poverty on Economic Growth in Gorontalo Province"; research conducted by Rahmat Imanto, Maya Panorama, Rinol Sumantritung, "The Effect of Unemployment and Poverty on Economic Growth in South Sumatra Province" and research conducted by Alvira Tania Lidyanti, Nurul Hanifatung, "The Influence of Unemployment Rate and Poverty Rate on Economic Growth in Sidoarjo Regency. The result found is that the unemployment rate has a partial negative effect on economic growth.

On the other hand, the results of this study support research conducted by Ivonni Regina, Gatot Sasongko, Angelita Titis Pertiwitung, "The Influence of Exports, Investment, Inflation and Unemployment on Economic Growth in Indonesia in 1990-2020" and research conducted by Aprilia Somba, Daisy SM Engka, Jacline I. Sumual entitled, "Analysis of the Effects of Unemployment and Poverty on Economic Growth in North Sulawesi". The results found were that the unemployment rate did not have a partial negative effect on economic growth.

The cause of the Unemployment Rate does not have a negative effect on Economic Growth is influenced by several factors, for example the factor of West Sumatra Province as a labor-intensive area, where it relies more on labor compared to technology. At the same time, the high number of unemployed equals the lack of available job vacancies, so the number of workers is more limited to the vacancies that are already filled. Due to the limited number of workers, the company will increase the productivity of the existing workforce in order to maximize worker performance. To do this, the company will make a policy by increasing working hours so that there will be intensive overtime. The results of this overtime will increase the income of the existing workers so that it will have an effect on increasing their welfare. If welfare increases, then economic growth also increases.

2. The Effect of Poverty on Economic Growth

The results of this research support the Richardo-Malthus theory, which assumes that poverty occurs because many people have minimal income so they are unable to make ends meet. This is due to the fact that the population is growing rapidly so that it will double to double in one generation. In this situation, the wages received by workers are very low, which can reduce the level of social welfare and cause poverty. The

emergence of poverty directly affects the decline in economic growth. (Nurul Huda and et al, 2017)

Furthermore, the results of this study also support previous research conducted by Farathika Putri Utami entitled "The Influence of the Human Development Index, Poverty, Unemployment on Economic Growth in Aceh Province" ; research conducted by Moh. Arif Novriansyahb entitled, "The Influence of Unemployment and Poverty on Economic Growth in Gorontalo Province" ; research conducted by Aprilia Somba, Daisy SM Engka, Jacline I. Sumual entitled, "Analysis of the Effects of Unemployment and Poverty on Economic Growth in North Sulawesi" and research conducted by Rahmat Imanto, Maya Panorama, Rinol Sumantritle, "The Effect of Unemployment and Poverty on Economic Growth in South Sumatra Province. The results found are that poverty has a partial negative effect on economic growth.

In addition, the results of this study do not support the research conducted by Alvira Tania Lidyanti, Nurul Hanifatitle, "The Influence of Unemployment Rate and Poverty Rate on Economic Growth in Sidoarjo Regency. The results found are that poverty does not have a partial negative effect on economic growth.

In Islam's view, the poor are someone who simply does not have the ability and sources of livelihood to meet the needs of a decent life. This situation has led to a decline in people's living standards and people's purchasing power to decline. The declining purchasing power of people begins at a very low level of income. The way to overcome the low income of the community is by equalizing the distribution of income. In Islam, the distribution of income must be done fairly, that is, right on target and not tyrannical. One of the things in the distribution of income is the existence of zakat. Something that is expected from this zakat is to overcome poverty. This means that zakat is distributed properly, then it will automatically stabilize the economy, because people who initially do not earn income, with this zakat will have income. Furthermore, it will increase people's purchasing power and the demand for goods and services will increase as well. This is certainly highly expected in the economy so that it is always in stability.

3. The Effect of Unemployment and Poverty Rates on Economic Growth

The results of this research support the Harrod-Domar theory which assumes that the balance of long-term economic growth is determined by the amount of aggregate demand. This aggregate demand will lead to a large absorption of labor so that people have sufficient income to meet their daily needs. Unemployment will decrease if employment is high and poverty will decrease if people's income is adequate. Reducing unemployment and poverty will hinder increased economic growth. (Nurul Huda and et al, 2017)

Furthermore, the research results also support previous research conducted by Moh. Arif Novriansyahtitle, "The Effect of Unemployment and Poverty on Economic Growth in Gorontalo Province" ; research conducted by Aprilia Somba, Daisy SM Engka, Jacline I. Sumual entitled, "Analysis of the Effects of Unemployment and Poverty on Economic Growth in North Sulawesi" and research conducted by Alvira Tania Lidyanti and Nurul Hanifa entitled, "The Influence of Unemployment Rate and Poverty Rate on Economic Growth in Sidoarjo Regency". The results found are Unemployment and Poverty Levels have a negative effect simultaneously on Economic Growth.

In addition, the results of this study do not support the research conducted by Rahmat Imanto, Maya Panorama, Rinol Sumantritle, "The Effect of Unemployment and Poverty on Economic Growth in South Sumatra Province" The results found were

that the level of unemployment and poverty did not simultaneously have a negative effect on economic growth.

In Islam, work is a principle to live life and stipulates that every Muslim is ordered to work. If there are people who are not working, then they will depend on the help of others so that they position themselves under the hands of others. If this happens continuously, then the person who does not go to work will change his mindset in an instant way, namely begging, so that there is no thought of working anymore, while in Islam, begging is prohibited. This raises a view that if they get money by begging, then why else work? So this must be overcome, by providing job vacancies to those who are not working until they finally get a decent living.

The problems of unemployment and poverty are very important to be discussed in depth. The reason is that this problem has an impact on people's lifestyles. This problem is dominated by a lack of ability in terms of earning income to achieve a decent life. Unemployment is caused by a lack of ability to work while poverty is caused by a lack of income earned by someone. In this case, it is necessary to have the concept of strong people protecting weak people, the goal is to achieve stability in the economy. It is difficult for weak people to rise from the slump of the economic crisis, while strong people are expected to be able to turn this downturn into prosperity. If prosperity has been achieved, then economic stability will increase.

CONCLUSION

Based on the results of the research above, the conclusions that can be drawn are:

1. The unemployment rate (X1) has no partial negative effect on economic growth (Y).
2. Poverty (X2) has a partial negative effect on economic growth (Y).
3. Unemployment (X1) and Poverty (X2) simultaneously have a negative effect on Economic Growth (Y).

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