



Analysis of the Effect of Capital Expenditures, Economic Growth and Education Levels on Labor Absorption

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Abstract. *This study aims to analyze the Influence of Capital Expenditures, Economic Growth and Education Levels on Labor Absorption in the District / City Region of Gorontalo Province. The data used is sourced from the Gorontalo Province Central Bureau of Statistics (BPS) during the period 2010-2015, SIMREG BAPPENAS. The estimation is done by the fixed effect model (FEM) method. The results showed that (i) the amount of Gorontalo Province Capital Expenditures had a negative but not significant effect on the amount of Absorption of Labor. (ii) The Economic Growth of Gorontalo Province has a negative and significant effect on the magnitude of the number of Labor Absorption. (iii) The level of education (measured by APM SMA) in Gorontalo Province has a positive and significant effect on the amount of Absorption of Labor*

Keywords: *Capital Expenditures, Economic Growth, Education Level, fixed effect model (FEM).*

National development in Indonesia cannot be separated from regional development, because the territory of Indonesia consists of provinces, districts / cities and smaller areas. Development activities planned and carried out must be able to touch and be felt by small communities. The core objectives of the development process are: increasing availability and expanding distribution of various basic life goods, increasing living standards (income, providing employment, and improving the quality of education) and

expanding economic and social choices (Arsyad, 2010: 11).

Based on regional economic and financial studies by Gorontalo Bank Indonesia's representative, Gorontalo's economic growth is of high quality. Nonetheless, the level of welfare of the people in Gorontalo Province still requires attention, considering that despite the decline in poverty, the unemployment rate in 2010 is still increasing so that it has the potential to create new poverty (Bank Indonesia, 2010). The problems that arise in

the employment sector are decent work, and lack of employment opportunities. The lack of job opportunities other than being able to be identified using the unemployment indicator approach can also use more detailed indicators, namely the level of ineffectiveness. The fluctuating conditions of economic growth are portrayed in the BI

regional economic and financial studies of Gorontalo Report that Gorontalo economic growth has a positive correlation with employment absorption is still a question mark, that what happens according to data is that economic growth from 2013-2015 decreased economic growth.

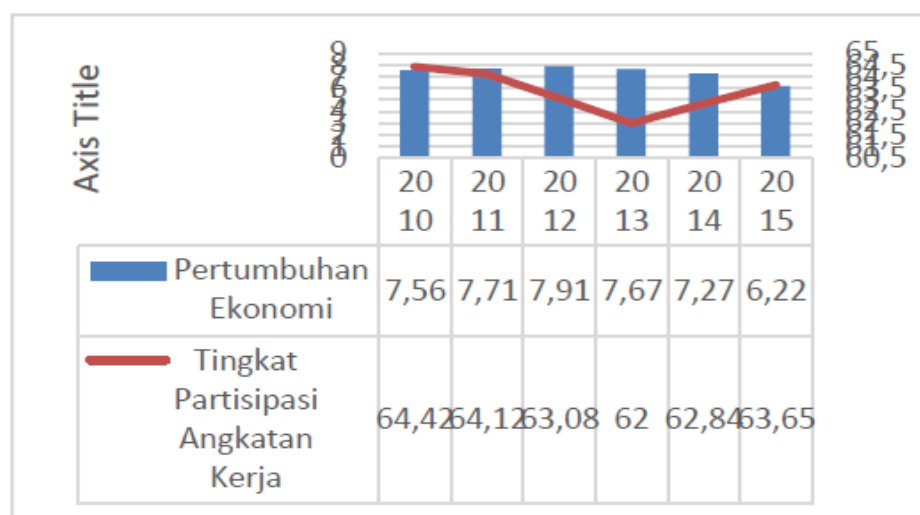


Figure 1. Comparison of Economic Growth and TPAK

It is seen that when economic growth is high, what happens to the labor force participation rate is a deep overshoot in 2013 which dropped dramatically to the level of 62.00. Previously the LFPR numbers were above 64.42 percent. Although economic growth also has a downward trend, it should be noted again that the labor conditions measured using LFPR still show unstable conditions. There is a discrepancy between high economic

growth and the level of labor force participation in Gorontalo. The ideal condition of economic growth towards labor growth is when economic growth is able to change the use of labor in greater ways (Dimas, 2009). Due to the limitations of data and time, the research in discussing the factors that affect employment in the Regency / City of Gorontalo Province is only limited to the influence of government spending in this case capital expenditure,

economic growth and the level of education in a region.

METHODS

This study uses descriptive quantitative research methods, namely describing systematically, factually and accurately to a treatment in a particular area regarding causal relationships based on observations of consequences. The type of data that will be used in this study is secondary data, namely the type of data that

has been collected by the data collection agency and published to the data user community (Mudrajad Kuncoro, 2004,127). Secondary data includes research data that has been published by the Central Statistics Agency (BPS), Simreg Bappenas and various literatures related to the topic of research.

RESULTS

Regression Analysis Results

Table 1. Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.587970	2.764482	3.468270***	0.0018
@LOG(BM?)	-0.138062	0.091203	-1.513789*	0.1417
PE?	-0.247132	0.064752	-3.816592***	0.0007
APMSMA?	7.37E-06	2.46E-06	2.990398***	0.0059
R-squared	0.905586			
Adjusted R-squared	0.877611			
F-statistic	32.37165	Durbin-Watson stat		1.890432
Prob(F-statistic)	0.000000			

The average increase in the number of workers in the province of Gorontalo is 9.587 percent per year. The estimation of capital expenditure has a negative effect on the number of workers. Government expenditure of 1% will be followed by a decrease in the number of workers by 0.138%. Meanwhile variabel economic growth has a negative effect on the number

of workers in the Gorontalo Province. Economic growth of 1% will result in a decrease in the number of workers by 0.247%. The education level variable (measured by the APM SMA) has a positive effect on the number of workers in the Gorontalo Province. An increase in the APM value of 1% will increase the number of workers by 0.00000737%

DISCUSSION

Effects of Capital Expenditures on Absorption of Labor

The estimation results show that capital expenditure has a negative effect on the number of workers. Capital expenditure of 1% will be followed by a decrease in the number of workers by 0.138%. If seen from the results of testing individually (partial) shows that the results of the analysis that has been done, it is known that the absolute value of t-count for the BM variable is 1.513 with a significance value of 0.1417. If this significance value is compared with the alpha value used (0.05), the significance value obtained is still greater than the alpha value so that H_0 is accepted. Thus it can be concluded that the magnitude of the capital expenditure of Gorontalo Province does not significantly influence the magnitude of the growth in the number of workers. This is because the realization of capital expenditure in Gorontalo is still low or has not been maximally absorbed, capital expenditure in 2014 has only been realized at Rp. 232 424.74 of the planned 2014 APBD of Rp. 269.15.

This condition certainly shows that in 2014 the realization of capital expenditure, especially for infrastructure

development such as roads, ports and airports has not been maximized, especially when compared with the condition of the lower capital expenditure budget for 2010 to 2013. Although in 2015 capital expenditure increased to Rp. 344 244.08 but still not able to be absorbed maximally from the budgeted budget in 2015 amounting to Rp.398.79 Capital expenditure is one of the important factors in economic development in Gorontalo Province which still requires better infrastructure to support the economic development of Gorontalo Province and can be an attraction for investors to start businesses in Gorontalo Province (Bank Indonesia, 2014). The more investors who invest their capital, the more jobs will be created for Gorontalo people. This research is in line with the findings made by Muammil Sun'an and Endang Astuti (2008) Based on the partial test seen the variable Government Expenditure has a negative effect on employment opportunities in West Nusa Tenggara Province.

Effect of Economic Growth on Absorption of Labor

The estimation results show that economic growth has a negative effect on the number of workers in Gorontalo Province. Economic growth of 1% will

result in a decrease in the number of workers by 0.247%. If seen from the results of testing individually (partial) shows that the results of the analysis that has been done, it is known that the absolute value of t-count for the PE variable is 3.816 with a significance value of 0.0007. If this significance value is compared with the alpha value used (0.05), the significance value obtained is still smaller than the alpha value so H_0 is rejected. Thus it can be concluded that the economic growth of Gorontalo Province has a negative and significant effect on the size of the workforce. This is caused by economic growth which is negatively correlated with the labor force participation rate, it can be seen when high economic growth decreases in the labor force participation rate, there is a discrepancy between high economic growth and labor force participation is one of the factors that make economic growth negative effect on employment. Due to the fact that TPAK decreases, the labor force level will also decline, which is why Gorontalo's economic growth is often said to be above the national average, but employment is still relatively small. This finding is in line with the research of Muhammad Bryan Safatillah (2014). Variable economic growth rates have a

negative and not significant effect on employment in the electronics industry in Indonesia.

Effect of Education Levels on Absorption of Labor

The estimation results show that the level of education (measured by the APM value of SMA) has a positive effect on the number of workers in the Gorontalo Province. An increase in the APM value of 1% will increase the number of workers by 0.00000737%. If seen from the results of testing individually (partial) shows the results of the analysis that has been done, it is known that the absolute value of t-count for the APMSMA variable is 2.99 with a significance value of 0.0059. If this significance value is compared with the alpha value used (0.05), the significance value obtained is still smaller than the alpha value so H_0 is rejected. Thus it can be concluded that the level of education (measured by APM SMA) in Gorontalo Province has a positive and significant effect on the size of the workforce. In endogenous growth theory, it is explained that research, physical capital and human capital have a positive contribution to the output produced.

Education is one of the most important things for the workforce because

if the number of workers is large but is not balanced with the skills, skills, and appropriate qualifications and availability of employment, it will create its own problems. One example would be to compete with foreign workers who have better education and skills than local workers, so education is very important for the workforce. This finding is in line with the research conducted by Imam Buchari (2016) who argued that the level of education has a positive and significant effect on the Absorption of Labor in Manufacturing Industry on the Island of Sumatra.

CONCLUSION

1. Capital expenditures have a negative effect and are not significant for the absorption of workers in the regencies / cities in Gorontalo Province. This shows that every level of capital increase has reduced the amount of employment in the Regency / City area of Gorontalo Province.
2. Economic growth has a negative and not significant effect on the amount of employment in the regencies / cities in Gorontalo Province. Every increase in economic growth will reduce the

amount of employment in the Regency / City area of Gorontalo Province.

3. The level of education (measured by the APM value of SMA) has a positive and significant effect on the amount of employment in the Regency / City area of Gorontalo Province. This shows that every increase in the level of education will increase the amount of employment in the Regency / City area of Gorontalo Province.

SUGGESTION

1. Economic growth has a negative and significant influence on employment in Gorontalo Province, so the regional government that has been pursuing economic performance is expected to encourage and spur economic growth, especially growth in each sector.
2. Policy makers should not be too captivated by the quantity aspects of economic growth, but more importantly, they must pay adequate attention to their structure and quality. According to UNDP economic growth is lame or flawed if the economy as a whole grows but does not expand job opportunities (jobless growth).
3. The Gorontalo Provincial Government must further increase the absorption of

capital expenditures in order to increase the development of supporting infrastructure such as roads, airports and ports in order to increase the attractiveness of investors.

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