The Influence of Economic Growth, The Minimum Wage, The Unemployment Rate Against Poverty Level in Regency/City in South Sumatra Province in 2011-2016

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Abstract: This research aims to find out how to influence economic growth, unemployment rate, minimum wage against poverty level regency/city in South Sumatra Province in 2011-2016. The object of this research was 15 regencies / cities in South Sumatra Province, with a period of 6 years. The data used is a combination of data time series and cross section data so using regression analysis panel. Data collection methods used in this research is to study methods of library. The results of this research show that simultaneously variables of economic growth are, the minimum wage, the unemployment rate effect on poverty levels. Partially, only economic growth has a negative and significant effect on the poverty level, while the variable of minimum wage and unemployment rate have negative and insignificant effect to poverty level of regency/city in South Sumatera province year 2011-2016.

1 INTRODUCTION

Development is a process that aims to realize the prosperity of society through the development of the economy. Measures of development success can be seen from the economic growth, economic structure and the level of disparities between people, between regions and between sectors. The main objectives of the economic development effort besides creating the highest growth, should also eliminate or reduce the level of poverty, income gap, and unemployment rate (Todaro, 2000). So it can be said that the priority of development is eliminating poverty.

Efforts are being made to accelerate the development of the area with this central Government has granted autonomy in local Government to dig the potentialities that are owned by the Government of the area. Development in South Sumatra Province which took place extensively and continuously been improving the economy society. The achievement of the outcomes of the development community is perceived very aggregate construction of 13 regencies and 4 cities with 2,872 village, 385 wards and 231 subdistricts in

South Sumatra Province which is inseparable from the efforts together between the Government and the public. But on the other hand various obstacles in maximizing the potential of our human resources and sources of capital still faced by deciding policy at the provincial level as well as at the regency/city.

Based on Table 1, be aware that during the period of 2011-2016 the whole district/city in South Sumatra Province is experiencing the instability of economic growth on average each year. Economic growth in 2011 at the Muara Enim Regency, higher than other regencies in South Sumatra Province of 12.28 percent, in 2012 the economic growth at Regency Prabumulih increased by 8.32 percent, the year 2013 economic growth in OI higher than in other regencies of the District of 7.26 percent, economic growth in 2014 at Regency Prabumulih 11.51 percent increase by the year 2015 and the economic growth in the Regency Muara Enim and Ogan Komering Ulu Selatan higher is amounting to 7.62 percent, and 6.82 percent in 2016, however, economic growth improved in the Regency of Ogan Komering Ulu Timur and Prabumulih amounting to 6.15 percent and 6.8 percent. The increase is due to

the role of infrastructure development that is of great benefit to the community. In addition, there is an improvement in commodity prices leading to increased purchasing power of the community. Economic growth and poverty are closely linked, Economic growth is often used as a benchmark of economic performance of a region, but uncertain high economic growth indicates the high level of well-being of the people. It can not be denied that economic growth is so important for poverty alleviation and economic development.

Table 1: growth rate GDP based on Constant Price Basis in Regency/City of South Sumatra Province year of 2011-2016 (percent)

No	Regency/City	The Rate of Growth of GDP (%)					
		2011	2012	2013	2104	2015	2016
1	OKU	5.70	5.26	4.46	3.67	3.05	3.95
2	OKI	6.90	6.56	6.36	5.07	4.81	4.70
3	Muara Enim	12.28	8.27	6.76	3.13	7.02	5.24
4	Lahat	5.75	5.28	4.83	3.83	2.13	2.77
5	Musi Rawas	1.16	0.85	5.88	7.87	5.13	5.41
6	Musi Banyuasin	3.62	7.25	3.95	4.67	2.28	2.41
7	Banyuasin	5.42	6.15	6.18	5.14	5.56	5.88
8	OKUS	5.20	5.26	5.20	5.51	4.54	5.18
9	OKUT	6.37	7.20	6.96	5.19	6.82	6.15
10	Ogan Ilir	7.56	8.03	7.26	6.55	4.61	5.12
11	Empat Lawang	6.04	6.11	5.39	4.23	4.50	4.54
12	Palembang	6.39	7.75	5.85	5.24	5.44	5.76
13	Prabumulih	6.70	8.32	5.07	11.51	4.84	6.80
14	Pagar alam	5.43	6.27	5.70	4.57	4.33	4.32
15	Lubuk Linggau	6.21	6.35	3.37	6.30	6.00	6.33
	Sumatera Selatan	**6,36**	**6,83**	**5,31**	**4,79**	**4,42**	**5,04**

Source: BPS South Sumatra (Processed)

Table 2: Poverty Level According To Regencies/Cities in South Sumatra Province year of 2011-2016 (percent)

NO	Regency/City	Poverty Level (%)					
		2011	**2012**	**2013**	**2014**	**2015**	**2016**
1	OKU	11.58	11.19	12.31	11.96	13.22	13.29
2	OKI	15.06	14.52	15.82	15.30	17.08	16.03
3	Muaraenim	13.71	13.21	14.26	13.76	14.54	13.56
4	Lahat	17.92	17.45	18.61	18.02	18.02	17.11
5	Musi Rawas	18.25	17.67	17.85	17.28	15.13	14.30
6	Muba	18.99	18.29	18.02	17.38	18.35	17.27
7	Banyuasin	11.66	11.27	12.28	11.88	12.45	11.72
8	OKUS	10.84	10.49	11.57	11.21	11.58	10.95
9	OKUT	9.23	8.98	10.28	10.13	11.24	11.29
10	OI	13.18	12.79	13.86	13.38	14.43	13.80
11	Empat Lawang	13.82	13.37	13.10	13.89	13.33	12.54
12	Palembang	14.30	13.59	13.36	12.93	12.85	12.04
13	Prabumulih	12.93	12.19	11.71	11.23	12.12	11.44
14	Pagaralam	9.24	9.00	9.00	8.90	9.64	9.19
15	Lubuk Linggau	14.43	13.89	14.37	13.90	15.16	13.99

Source: BPS South Sumatra (Processed)

Table 2 shows the instability of poverty levels in regency/ city in South Sumatra Province from year to year. From 2011-2016, Musi Banyuasin regency was ranked first because of the high poverty level of 17.27 percent compared to other regencies, then Lahat regency occupied the second position with the poverty level of 17.11 percent. Pagar Alam Regency has a lower poverty rate of 9.19 percent.

Formulation of Research Problems

Based on the above description of the background that became the formulation of the problem in the study as follows:

What is the effect of Economic Growth, Minimum Wage, Unemployment Rate on Poverty Rate of Regency / City in South Sumatra Province in 2011-2016?

2 LITERATURE STUDIES

2.1 Poverty

Poverty is a situation where there is a lack of things that are common to possess such as food, clothing, shelter and drinking water, these things are closely related to quality of life.

2.2 Economic Growth

According to Nugraheni, the measurement of the progress of an economy requires a precise measuring instrument, some economic growth measuring tools, among others, are: (Aditya, 2010):

1. Gross Domestic Product (GDP)

Gross domestic product (GDP), or at the regional level is called the gross Regional domestic product (GRDP), is the number of final goods and services produced by an economy in one year and is expressed in market prices. Either GDP or GRDP is a global measure of its nature, and is not a precise measure of economic growth, because it has not been able to reflect the real well-being of the population, whereas in fact prosperity must be enjoyed by every resident in the country or region concerned.

2. Gross Domestic Product Per Capita/Per Capita Income

Gross domestic product per capita or gross regional domestic product per capita at the regional scale can be used as a better gauge of economic growth because it more accurately reflects the

welfare of a country's population than the value of GDP or GRDP only. Gross domestic product per capita at both national and regional levels is the amount of national GDP or GRDP of a region divided by the number of people in the country as well as in the region concerned, or it may be referred to as the average GDP or GRDP.

3. The Minimum Wage

Minimum wage is a minimum standard used by employers or industry players to provide wages to workers in a business or work environment.

4. Unemployment

Unemployment is a person who has been categorized into a labor force who is actively looking for work at a certain wage level but can not get the desired job (Sukirno,2003).
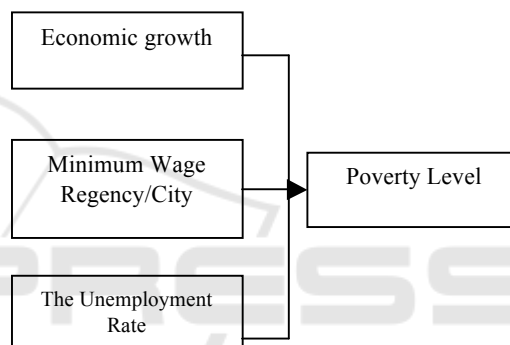
Figure 1. Theoretical Thinking Framework

3 RESEARCH HYPOTHESES

The hypothesis proposed in this research is as follows:

Economic Growth Variables, Minimum Wage, Unemployment Rate affect Poverty Rate in Regency / City of South Sumatera Province in 2011-2016.

3.1 The Scope of Research

This research was conducted in 17 districts in South Sumatera Province with the focus of research on analysis of economic growth, minimum wage, unemployment rate and poverty level in regency/city of South Sumatera Province. The regencies/cities are 13 regencies and 4 cities in southern sumatera province, while the 2 new districts resulting from Regency Expansion namely Pali and Muratara regency are not subjected to research because they

do not have complete data during the period of the research year.

3.2 Types of Data

The type of data used in this research is panel data and time series data for 6 years starting from 2011 until 2016.

3.3 Research Model

The research model in this research is using econometric model of panel data regression equation with Ordinary Least Square (OLS) approach. Where:

$$Y = \beta 0 + \beta 1\ G_{it} + \beta 2\ W_{it} + \beta 3\ UN_{it} + \mu_{it} \dots\dots\dots\dots(1)$$

Where:
Y	:	Poverty Level
G_{it}	:	Economic Growth (%)
W_{it}	:	Minimum Wage (in million Rupiah)
UN_{it}	:	Unemployment Level (%)
i	:	Regency/City Area
t	:	Time
βo	:	Constants
β1	:	Coefficient Of Economic Growth
β2	:	Minimum Wage Coefficient
β3	:	The Unemployment Coefficients
μ_{it}	:	Interference Factor

4 RESULTS AND DISCUSSION

Table 3: The Results of Study

Variable	Coefficient	t-Statistic	Prob.
C	51.00119	0.807501	0.4220
PE?	-0.121544	-2.103073	0.0390
UM?	-2.595138	-0.584130	0.5610
TP?	-0.003185	-0.049363	0.9608

The results of the estimation of quantitative analysis based on panel data regression statistical tests using eviews program can be known to each of the independent variables are just variables that influence economic growth significantly to growth economic value is the probability of 0.0390 smaller than α 0.05. While other variables are the Minimum wage and the unemployment rate has no effect against a significant poverty level because the probability value greater than 0.05 α. As for the results of the estimation of the regression equation in the above panel data, in the following equation:

$$Y = 51,00119 - 0,121544PE_{it} - 2,595138UM_{it} - 0,003185TP_{it}$$

Explanations of the equation are as follows:
1. Constants
   Constants of 51.00119 this means that if the economic growth, the minimum wage, the unemployment rate of 0, then the value of Y is constant 51.00119. When adjusted to the economic growth data, the minimum wage, the unemployment rate is, every increment of 0, and then the value of the level of poverty will be a constant of 51.11 percent in subsequent years.

2. Economic Growth Regression Coefficient (X1)
   Coefficient of economic growth against the poverty level had a negative influence by a coefficient of 0.121544. This means that if the economic growth experienced an increase of 1 unit, then it will result in the level of poverty of the district/city in South Sumatra Province declined by 1.2 percent.

3. Minimum Wage Coefficient (X2)
   The minimum wage against poverty levels had a negative influence by a coefficient of 2.595138. This means that when the minimum wage has increased by 1 unit, it will result in the level of poverty of the district/city in South Sumatra Province declined by 2.5 percent.

4. Unemployment Rate Coefficient (X3)
   The unemployment rate against the poverty level had a negative influence by a coefficient of 0.03185. This means that when the minimum wage has increased by 1 percent, it will result in the level of poverty of the district/city in South Sumatra Province declined by 3 percent

5 CONCLUSION AND SUGGESTION

5.1 Conclusion

This research aims to analyze Poverty Rate of Regency / City in South Sumatera Province. From the data analysis can be concluded as follows:
1. Of the three independent variables (free) discussed are economic growth, minimum wage, and unemployment rate to poverty level that is 92 percent while the remaining 8 percent is

influenced by other factors outside this research model.

2. Simultaneously independent variables, namely economic growth, minimum wage, and unemployment rate have a significant effect on poverty level in Regency/City of South Sumatera Province.

3. Partially, economic growth variable has positive and significant effect to poverty level. While the minimum wage and unemployment variables do not affect the level of poverty in the District / City of South Sumatra Province.

4. For the more dominant variable affecting the level of poverty is the variable of economic growth. Because if seen from probability value that is equal to 0, 0390 < 0, 05. So we can conclude that economic growth has a significant and more dominant effect on poverty levels.

5.2   Suggestion

From the results of the study concluded that some suggestions are expected to be used as a study:

1. It is expected that the government will pay more attention to economic growth and development because if economic growth is increasing especially in South Sumatera Province then it is expected to improve people's welfare.

2. For future research is expected to conduct better research again, by adding two new regencies in the province of South Sumatra that is PALI and Musi Utara regency and can add a number of years much longer.

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