

# ANALYSIS OF THE IMPACT OF UNLESS ON ECONOMIC GROWTH IN NORTH SUMATRA YEAR 2004-2013

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## **Abstract**

Unemployment is a problem that must be solved by the government of North Sumatra in this era of globalization because unemployment can have a direct or indirect impact on poverty, crime and other problems. The more successful the government is in reducing the unemployment rate, the rate of economic growth will increase and of course job opportunities will increase. The purpose of this study was to determine the effect of the rate of economic growth on the unemployment rate in North Sumatra. The author uses library research instruments, documentation studies, internet browsing, where the data taken is secondary data from related agencies, especially the Central Bureau of Statistics of North Sumatra, and in analyzing the data using simple linear regression analysis techniques. The results of data processing obtained that the Unemployment Rate had a negative and insignificant effect on Economic Growth in North Sumatra. From the results of data processing obtained 6.6% variable X affects variable Y and the rest is influenced by other variables.

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**Kata Kunci : Pengangguran, Pertumbuhan Ekonomi**

## **INTRODUCTION**

**U**nemployed is someone who has been classified in the workforce who is actively looking for work but cannot get the desired job. Unemployment is a measure where a person is categorized as unemployed or looking for work if they are of working age population. The working age population is the population aged over 15 years. The working age population is divided into two major groups, namely the labor force and the non-labor force. Not in the labor force are people of working age who are still in school, housewives or retirees. The labor force is divided into two, namely working and unemployed or looking for work.

Unemployment is generally caused because the number of the workforce is not proportional to the number of existing jobs that are able to absorb it, economic growth which is much smaller than the growth of the labor force

Based on data from the Central Statistics Agency, the population of North Sumatra has increased from year to year. This increase was also followed by the rise and fall of the number of unemployed, this shows an increase in the number of people who are not absorbed into employment so that the number of unemployed rises and falls.

The increase in the new labor force that is greater than the available jobs continues to show a growing gap. This condition worsened after the global economic crisis in 2008. Due to the economic crisis, not only did the gap between the increase in the new

workforce and the supply of low employment opportunities continue to deepen, but also layoffs. This causes the unemployment rate in North Sumatra to increase from year to year.

**Table 1** Unemployment Rate and Economic Growth Rate in North Sumatra 2004-2013

No.	Year	Unemployment(X) %	Economic Growth Rate (Y) %
1	2004	13.75	5.74
2	2005	10.98	5.48
3	2006	11.51	6.20
4	2007	10.10	6.90
5	2008	9.10	6.39
6	2009	8.45	5.07
7	2010	7.43	6.42
8	2011	6.37	6.63
9	2012	6.20	6.22
10	2013	6.53	6.01

*Sumber: BPS Kota Medan berdasarkan update terakhir 3 Oktober 2017*

Based on BPS data in table 1, the unemployment rate during the period 2004-2013 decreased quite a bit. This can be seen from the unemployment rate in North Sumatra in 2004 of 13.75%, then in 2009 the unemployment rate was 8.45% and In 2013 the unemployment rate continued to decline to 6.53%. Economic growth is one of the most important indicators in assessing the work of an economy, especially for analyzing the results of economic development that has been carried out in a region. The economy is said to experience growth if the production of goods and services increases from year to year. Economic growth shows the extent to which economic activity can generate additional income or public welfare in a certain period. The economic growth of a region that continues to show improvement illustrates that the regional economy is developing well (Sadono Sukirno, 2012).

Economic growth is one of the indicators used to assess the level of success of development carried out by a region, especially in the economic field, this growth is a summary of the growth rates of various economic sectors that describe the level of economic change that occurred during the period 2004-2013. North Sumatra's economic growth fluctuated.

This condition is reflected in the increasing ratio of the working workforce to the labor force in line with the declining unemployment rate. Economic growth in North Sumatra improved from 2004-2013, this can be seen from the increasing percentage of economic growth in North Sumatra. Recent growth has been driven more by consumption in the informal sector, while the formal sector has been sluggish, thereby not creating new jobs and increasing unemployment. This means that current government policies should shift to economic growth and job opportunities.

## **THEORETICAL STUDY**

### **Unemployment**

According to Iskandar Putong (2008), unemployed or unemployed people are those who do not have a job and are actively looking for work. The category of unemployed people is usually those who do not have a job of working age and working period. Working age is usually the age that is not in school but is above the age of children (relatively above 6-18 years, namely the education period from elementary school to high school graduation), while those over the age of 18 who are still in school can be categorized as unemployed, although for this This is still a lot of debate. Unemployment basically cannot be completely eliminated because no matter how good and great a nation's ability to handle its economy is, unemployment still exists.

According to Sadono Sukirno (2010), unemployment is a condition where someone belonging to the workforce wants to get a job but has not been able to get it. A person who does not work, but is not actively looking for work is not classified as unemployed. Furthermore, what is called unemployment is the workforce who are ready to work and are trying to find work. The unemployment rate is calculated by the formula:

$$\text{Unemployment Rate} = \frac{\text{Unemployment Number}}{\text{Total Manpower}} \times 100\%$$

To find out how big the opportunity for the workforce to participate and enter the labor market, it can be seen from the level of labor force participation with the formula:

$$\text{Labor force participation rate} = \frac{\text{Labor force Number}}{\text{Total Manpower}} \times 100\%$$

### **Economic Growth**

According to Sadono Sukirno (2012), economic growth is 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. The problem of economic growth can be viewed as a macroeconomic problem in the long run. The development of the ability to produce goods and services as a result of the increase in production factors in general is not always followed by an increase in the production of goods and services of the same magnitude.

T.H. Tambunan (2003) states that economic growth is a process where there is an increase in real gross national product or real national income. So the economy is said to be growing or developing if there is real output growth. An area can be said to experience rapid economic growth if from year to year it experiences a significant increase, while slow growth occurs if from year to year it decreases or fluctuates. This can be compared with the previous year's economic growth of a region or compare it with other regions. Economic growth can be known by comparing GDP in a given year with the previous year. Here is how to calculate the rate of economic growth (Sukirno, 2012).

$$\text{Economic Growth Rate } (\Delta Y) = \frac{PDB_t - PDB_{(t-1)}}{PDB_t} \times 100$$

$\Delta Y$	= laju pertumbuhan ekonomi atas dasar perubahan PDB (%)
$PDB_t$	= PDB values year t
$PDB_{t-1}$	= PDB value next year

Changes in the value of GDP will show changes in the quantity of goods and services produced during a certain period. In addition to GDP, a country is also known for the size of GNP (Gross National Product) and national income (national income). The definition of GDP is all added value generated by various sectors or business fields carrying out their business activities in a domestic or aggregate. One of the important uses of national income data is to determine the level of economic growth achieved by a country from year to year. The calculation of national income is based on the prices prevailing in that year. When using current prices, the value of national income shows an increasing trend from year to year. These changes are caused by the growth of goods and services in the economy as well as price increases that apply from time to time.

#### **Factors Affecting Economic Growth**

According to Sadono Sukirno (2012), the factors that influence economic growth are:

- a. Human resource factor
- b. Natural resource factor
- c. Factors of science and technology
- d. Cultural factors
- e. Capital resource factor

The following is an explanation of the quote above:

**a. Human resource factor;** Similar to the development process, economic growth is also influenced by human resources. HR is the most important factor in the development process, the speed of the development process depends on the extent to which human resources as the subject of development have adequate competence to carry out the development process.

**b. Natural resource factor;** Most developing countries rely on natural resources in carrying out their development process. However, natural resources alone do not guarantee the success of the economic development process, if they are not supported by the ability of human resources to manage the available natural resources. Natural resources in question include soil fertility, mineral wealth, mining, forest product wealth and marine wealth.

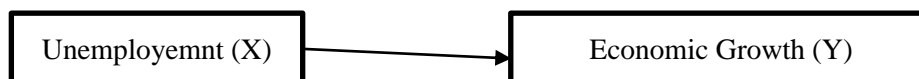
**c. Factors of science and technology;** The increasingly rapid development of science and technology encourages the acceleration of the development process, the change in work patterns that originally used human hands were replaced by sophisticated machines which had an impact on aspects of efficiency, quality and quantity. A series of economic development activities carried out and ultimately resulted in the acceleration of the rate of economic growth.

**d. Cultural factors;** Cultural factors have a separate impact on the economic development carried out, this factor can function as a generator or driver of the

development process but can also be an obstacle to development. A culture that can encourage development includes an attitude of hard work and smart work, honesty, tenacity and so on.

**e. Capital resource factor;** Human capital resources are needed to process natural resources and improve the quality of science and technology. Capital resources in the form of capital goods are very important for the development and smooth running of economic development because capital goods can also increase productivity. Its growth rate is a measure of economic progress as a result of national development. Per capita income is used to measure the level of prosperity of the population, because the higher the income per capita with constant work, the higher the level of population prosperity and productivity.

### Conceptual Framework and Hypothesis



**Figure 1** Conceptual Framework

Based on the above problems, the hypothesis is that the unemployment rate has a negative effect on economic growth in North Sumatra.

### RESEARCH METHODOLOGY

Operational definitions in this study are:

1. Unemployed are workers who work fewer hours than they want. Unemployment in this study is the unemployment rate in percentage units in North Sumatra in 2004-2013.
2. Economic growth is one indicator of economic activity that can experience growth if the production of goods and services increases. Economic growth in percentage units in North Sumatra in 2004-2013.

The data analysis technique used is quantitative analysis, namely the method used to analyze data related to the problem of the effect of economic growth on the unemployment rate in the city of Medan.

$$Y = a + bX + \mu$$

Where :

- Y = Economic Growth (%)
- X = Unemployment Rate (%)
- a = Regression Constant
- b = Regression Coefficient
- $\mu$  = term error

## RESULT AND DISCUSSION

### Regression Result

**Table 2** Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
(Constant)	6.612	.694	9.532	.000
X	-.056	.074	-.755	.472

a. Dependent Variable: y

After regressing the data that has been obtained, the following regression equation will then be analyzed using the following regression:

$$Y = 6.612 - 0,056 X + \mu$$

Based on the results of the estimation model, it can be interpreted as follows: The unemployment rate (x) has a negative effect on the level of economic growth in North Sumatra. This means that if unemployment increases by 1%, the economic growth rate in North Sumatra will decrease by 0.056%.

### R<sup>2</sup> Test

**Table 2** ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.180	1	.180	.569	.472 <sup>b</sup>
	Residual	2.534	8	.317		
	Total	2.714	9			

a. Dependent Variable: y

b. Predictors: (Constant), x

From the regression results, it is known that the significance value in the f test is 0.472. That is, the significance value in the f test is greater than the probability of 0.05 so it can be concluded that the unemployment rate has no effect on economic growth in North Sumatra.

**Table 3** Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.258 <sup>a</sup>	.066	-.050	.56281	2.047

a. Predictors: (Constant), x

b. Dependent Variable: y

In the regression results above, it is known that the coefficient of determination (R square) is 0.066. That is, only 6.6% of the x variable affects the y variable. Meanwhile, 93.4% is influenced by other variables.

### **T Test**

The t test is an individual test to prove that this regression coefficient is statistically significant.

Ho =  $\beta_1 = 0$  (no unemployment effect) H1 :  $\beta_1 \neq 0$ . (unemployment effect)

Based on the regression results, it can be seen that the probability value ( sig) is 0.472 > 0.05. Thus Ho is rejected and H1 is accepted, meaning that the unemployment rate has a negative and insignificant effect on economic growth.

## **CONCLUSIONS AND SUGGESTIONS**

### **Conclusion**

Unemployment has a negative and insignificant effect on economic growth in North Sumatra. Possibly influenced by other factors.

### **Suggestion**

This research is expected to be used as a basis for consideration, improvement and improvement in determining the direction of policies related to unemployment and economic growth.

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