

# Human Development as A Dominant Factor for Creating Work Opportunities

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**Abstract.** The high unemployment rate in Indonesia is a crucial problem. To reduce the relatively high level of unemployment, the government needs to increase economic activity or economic growth in their respective regions. The size of the economic growth of a region can be seen from the amount of income which is reflected in the Gross Regional Domestic Product (GRDP) and investment which is part of the income. The increase in regional income will increase the demand for goods and services in the community. Human resources are the main factor contributing to increased economic growth. Human development is the main goal of the political, social, and economic process. The term "human development" refers to the process of giving people more options through empowerment initiatives that place an emphasis on enhancing fundamental human capabilities so that they can fully participate in all areas of development. Quantitative data analysis is the method that this study employs for its analytical approach. The computer program eViews 10 for Windows was used for the entirety of this study's data processing and analysis process. The Human Development Index variable has a positive and significant impact on employment opportunities in Central Java Province's regions and cities. The most important factor in increasing job opportunities in Central Java Province's regions and cities is the Human Development Index.

**Keywords:** HDI; economic growth; job opportunities

## 1 Introduction

Opportunities for employment are a sign of economic growth. Whenever open positions are high, joblessness will be low and this will affect expanding the financial development of a country. Job opportunities can be seen from the large number of people who are accepted to work and the availability of job opportunities. The importance of employment for the community is as a source of livelihood to fulfill their daily lives. The available job space is usually only limited, so getting it is relatively more difficult. This will create a gap between the demand and supply of labor, thus having an impact on unemployment.

The high unemployment rate in Indonesia is a crucial problem. To reduce the relatively high level of unemployment, the government needs to increase economic activity or economic growth in their respective regions. The size of a region's economic growth can be seen from the amount of income reflected in the Gross Regional Domestic Product (GRDP) and investment which is part of the income.[1] The increase in regional income will increase the demand for goods and services in the community.

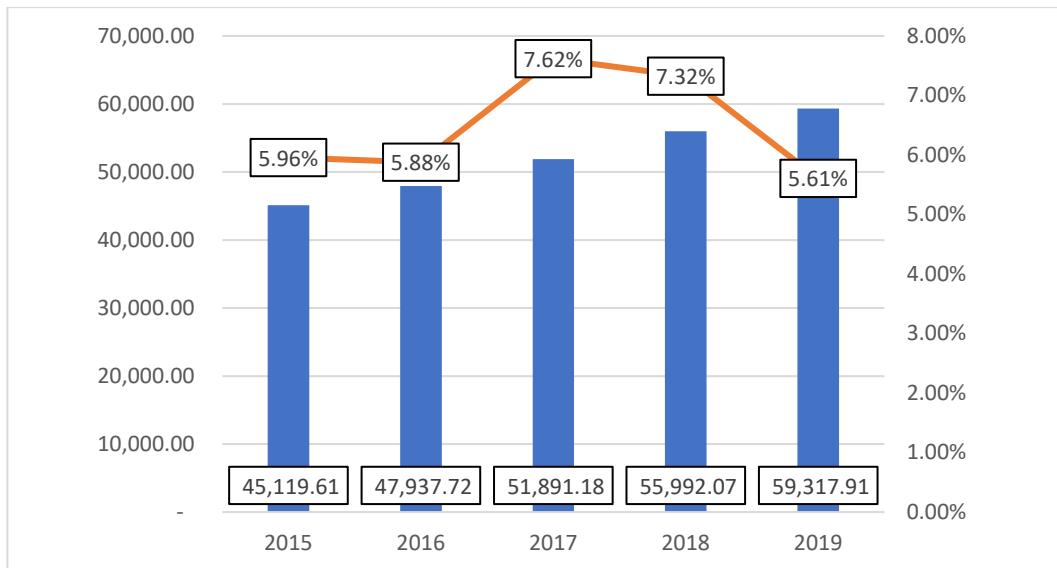
The primary objective of the political, social, and economic processes is human development, and human resources are the primary factor that contributes to increased economic

growth. The term "human development" refers to the process of giving people more options through empowerment initiatives that place an emphasis on enhancing fundamental human capabilities so that they can fully participate in all areas of development. People can achieve their full potential, be productive, and live creatively in accordance with their needs and interests in an environment that is created through human development.

Human capital is in line with the concept of human development. The economics literature gives a broad definition of human capital, which includes investments in education, health care, training, migration, and other activities that boost individual productivity. As stated by Meier and Rauch, education, or more broadly human capital, can contribute to development.[4] It is believed that economic performance will also be better with quality human capital. Human capital complements physical capital and increases production productivity.[2] Schultz believes that if investment opportunities in human capital are equal for all walks of life, the poor can increase their productivity through it and achieve higher incomes.[3] The level of education, health, and other indicators, for instance, can reveal the quality of human capital. Therefore, it is necessary to carry out human development in the region's economy as well as in the context of economic growth. The region in question will continue to lag behind other regions, including in terms of economic performance, if development policies do not encourage the improvement of human quality.

In economic development, particularly human development, the government plays a variety of roles. According to Guritno, the government must properly fulfill three main roles:[5] (1) Stabilization Role: In order to maintain normal economic activity, the government acts as a stabilizer. preventing issues in one part of the economy from spreading to other parts; 2) Role of Distribution: In order for a nation's wealth to be evenly distributed throughout society, the government must implement policies to ensure that economic resources are distributed effectively. 3) Allocation's Role: A nation has a finite amount of resources. The government must decide how much of its resources will be used to produce individual goods and how much for public goods. From the public goods that citizens require, the government must determine how much the government should provide and how much corporate households can provide. All government activities related to the roles of stabilization, distribution, and allocation require substantial expenditures in addition to an increase in government activities to fulfill these three functions. This expenditure by the government is the result of various policies taken and implemented to fulfill the role of the government.

Improvements in the quality of human capital in human resource development, as intended by Mankiw, apart from the government expenditure factor, can also be achieved through the community income factor.[6] Increasing people's incomes provide direct benefits for increasing human development.[7] An increase in people's income will increase the allocation of household spending for more nutritious food and access to health and education services, especially for poor households. During the 2015-2019 period, people's earnings in Indonesia tends to increase, from Rp 45.11 million per capita to Rp 59.32 million per capita. However, the amount of people's payment growth tends to decrease, from 5.96% in 2015 to 5.88% in 2016; 7.62% in 2017; and 7.32% in 2018; and then decreased to 5.81% in 2019. It shows that people's incomes did increase in 2015-2019, but the government's performance to increase people's earnings was fluctuating, which fell in 2017-2019, but the government's performance to increase income in the community is fluctuating, which is down in 2017-2019.



**Fig 1. Community Income 2015-2019**

The performance of government spending policies is evaluated based on four (4) welfare indicators, namely: the Human Development Index (IPM), unemployment rate, poverty rate, and the Gini Ratio as the level of income inequality (Directorate General of Budget, Ministry of Finance, 2018). During the period 2012-2017, Indonesia's HDI continued to increase from 67.70 to 70.81; which shows the continuous improvement in the quality of Indonesian human resources in human development based on the composite dimensions of health (long life and healthy life), education (knowledge), and expenditure (decent standard of living).

Based on the UNDP report, the increase in HDI was driven by various factors. One of them is that Indonesia is one of the countries that is trying to find a new balance between the state and the market. Indonesia is said to have shifted its focus from agriculture and rural development to a more open economy with a focus on trade. The Indonesian government has succeeded in making economic investment policies, education, health, and job creation. This has led Indonesia to become a country with an increasing HDI value. Indonesia is considered to have succeeded in making policies that support the welfare of its people.

## 2 Method

The research includes explanatory which refers to the theory or hypothesis to be tested as the cause of a phenomenon. Because it aims to determine the relationship between two or more variables, this study can also be referred to as associative research [8]. A causal relationship is a type of relationship in which the cause variable influences the effect variable.[8] Quantitative data analysis is the analytical approach utilized in this study.

The research population is all regencies/cities (35 regencies/cities) in Central Java Province during the entire development period. The sample studied is the development period during 2010-2020 (11 years). The sample was taken by the convenience sampling method, namely sampling based on convenience (convenience) according to data availability.

Variable data in the form of panel data (panel data) or a combination of cross-sectional between districts/cities and time series (inter-years). Thus, the sample size is 35 districts/cities (cross-sectional) multiplied by 10 years (time series). = 350 Data pairs.

The analytical model used is a recursive simultaneous equation model in the form of a recursively dependent regression equation model where the estimation of an effect variable (endogenous variable) generated in a model is re-functioned as a causal variable (exogenous variable) in the next model. The basis for its use is so that the influence of the independent variables can be estimated sequentially until it reaches the dependent variable through the intermediate variables that mediate. Simultaneous equations occur because of the presence of one or more variables that function as exogenous (cause) and endogenous (effect) variables at the same time. In this study, the position is filled by Human Development Index variables, Employment Opportunity, and Poverty. As referred to in Gujarati, the recursive simultaneous equation analysis model is only analyzed using a regression equation model.[9] The entire data processing and analysis process in this study was carried out with the help of the computer program eViews 10 for Windows.

### 3 Result and Discussion

#### a. Result

Based on the results of statistical calculations through the statistical program Eviews 10.0 for Model 2, namely: the effect of the Human Development Index partially on Employment Opportunities, the results are obtained as shown in the following table:

**Table 1. Simultaneous Test Results**

Dependent Variable: KESKER				
Method: Panel Least Squares				
Date: 05/10/22 Time: 09:16				
Sample: 2010 2020				
Periods included: 11				
Cross-sections included: 35				
Total panel (balanced) observations: 385				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.193607	0.154743	7.713493	0.0000
IPM	0.898242	0.036416	24.66624	0.0000
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.812142	Mean dependent var	5.010271	
Adjusted R-squared	0.793303	S.D. dependent var	0.077634	
S.E. of regression	0.035295	Akaike info criterion	-3.761283	
Sum squared resid	0.434774	Schwarz criterion	-3.391629	
Log likelihood	760.0469	Hannan-Quinn criter.	-3.614676	
F-statistic	43.10828	Durbin-Watson stat	2.384878	
Prob(F-statistic)	0.000000			

In light of the consequences of the estimation of the Re-visitation of Scale esteem in model 2, the number is 0.898242. Based on these findings, the RTS value is 1. As a result, the model's results show that production scale shrinks, which means that return decreases. This means that the Employment Opportunity Variable can only increase by 0.897242 percent for every 1 percent increase in the Human Development Index variable. The result indicates that the Human Development Index has a positive effect on the expansion of Employment Opportunities, though the Human Development Index alone does not increase Employment Opportunities.

Statistically, the following table shows how the Human Development Index variable partially affects employment opportunities:

**Table 2. Partial Test Result**

Partial Influence	$\beta_4$	t count	p-Value	Conclusion
The Influence of the Human Development Index on Employment Opportunities	0,898242	24,66624	0,0000	Reject $H_0$ , accept $H_1$ . There is a significant and positive effect of the Human Development Index on Employment Opportunities

The Human Development Index's regression coefficient is positive, as shown in the table above. The results of the calculation indicate that the t-count value is 24.66624, the significance level ( $\alpha$ ) is 5%, the degrees of freedom are  $n-k-1$ , or  $385-1-1 = 383$ , the test is two-sided (two-tailed), and a t-table of 1.9662 was obtained; so that the t-count is greater than the t table ( $24.6662 > 1.9662$ ); similarly,  $0.05 > P\text{-value } 0.0000$ ; so that we can conclude that  $H_1$  is accepted and  $H_0$  is rejected. This indicates that the Human Development Index variable has a positive and significant impact on employment opportunities.

**Table 3. Determinant Test**

Partial Influence	$R^2$	F count	p-Value	Standard Error of Reg
The Influence of the Human Development Index on Employment Opportunities	0,812142	43,10828	0,0000	0,035295

According to the table above, the magnitude of these variables' contribution to employment opportunities is  $R^2 = 0.812142$ , or 81.2142 percent. This indicates that other variables outside of the research variables influence the remaining 18.7858 percent of the Human Development Index's influence on employment opportunities.

## **b. Discussion**

### **i. The Influence of Human Development Index on Employment Opportunities**

The Human Development Index has a magnitude on employment opportunities of 81.2142 percent; the remaining 18.7858 percent is influenced by variables that are not part of the research.

As a result, the independent variable, the Human Development Index, has a positive and significant impact on employment opportunities in Central Java Province's regions and cities. It is understandable, considering that the Human Development Index variable is a variable that affects Job Opportunities, which is the dominant variable that can affect the level of Employment Opportunities.

However, the total influence of other variables outside the research model that has been determined is still quite large, amounting to 18.7858 percent. As for the other variables that affect Job Opportunities but not examined, including:

- a. Availability of Jobs
- b. Level of education
- c. Investment
- d. And other supporting factors for Job Opportunities.

According to the findings of this research, employment opportunities are significantly and positively influenced by the Human Development Index variable.

In accordance with the expected commitment of the Human Improvement Record Variable to Work Open doors, Rules/Urban areas in Focal Java Territory should focus on the Human Advancement File Variable to expand Business Potential open doors. Aside from that, the Regency/City in Central Java Province will continue to be able to improve the community's well-being if the Human Development Index continues to rise.

In connection with efforts to increase Employment Opportunities, Regencies/Cities in Central Java Province must prioritize various aspects of supporting the increase in Employment Opportunities. Additionally, it is anticipated that various regulatory studies promoting increased employment opportunities will be published by cities and regencies in the Central Java Province. The study aims to identify factors that could improve employment opportunities in cities and districts throughout Central Java Province. Particularly, these cities and districts need to be able to take advantage of policies that will raise the Human Development Index and increase the competitiveness of their workforces.

In addition to government elements, elements of the Regency/City community in Central Java Province must independently make various efforts for Employment Opportunities. It could be done by increasing the creation of small and micro business fields by utilizing the unique potential of the region. Small and micro business fields generally do not require high individual skills, which are expected to have implications in the future by providing opportunities to meet the needs of life for their children.

The success factor of the Regency/City in Central Java Province, which is represented by an increase in Job Opportunities, is more influenced by the Human Development Index variable.

## **4 Conclusion**

In the cities and regions of Central Java Province, employment opportunities are positively impacted by the Human Development Index variable. The Human Development Index is the most significant factor in expanding employment opportunities in the cities and regions of Central Java Province.

Continued domestic and international investment that can generate jobs in Central Java Province districts and cities can be used to control the community income variable. In addition, one approach to encouraging an increase in community income in Central Java Province's regencies and cities is to identify potential regional income sources that involve the community.

The Regional Government of Central Java Province must prioritize various aspects of supporting the expansion of Employment Opportunities in Regencies/Cities in order to raise the Human Development Index variable on Employment Opportunities. Additionally, various regulatory studies promoting increased employment opportunities are anticipated to be published by Central Java Province regencies and cities. The goal of the study is to find factors that can increase employment opportunities in Central Java Province districts and cities. In particular, these districts and cities need to be able to take advantage of policies to raise the Human Development Index and make their workforces more competitive.

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