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The Influence of Government Expenditures on Labor Absorption in Indonesia in 2010-2019

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Abstract:- This study aims to show the influence of the government on labor absorption in Indonesia in 2010-2019. The research approach is quantitative explanatory with data tests in 2010-2019 using the SPSS 23 application. The results show that there is a strong influence between government spending and labor. Also, there is a positive and significant effect on government spending and employment of 69.3%.

Keywords:- *Government Expenditure, Labor Absorption, Government*

I. INTRODUCTION

Labor absorption is very important to increase individual and community income (Arsyad, Muis, and Sabang 2019; Bloom and Freeman 1986), reduce unemployment, and provide the means of obtaining public and private services (Daud 2017; Hanson and Slaughter 2002). Labor absorption is one of the important inputs that can affect the economy. Various economic problems increase when unemployment is high. Labor problems in Indonesia must receive serious attention from various parties, both government and private. Manpower problems are the main problems that must be faced by the state and society of Indonesia. Therefore, the government must embrace the private sector to jointly reduce and resolve labor issues in Indonesia. Several main issues of macro employment in Indonesia are triggered by a lack of employment opportunities, low quality of labor, high unemployment, wages, and social security factors that are considered inadequate.

Theoretically, the labor balance can be achieved if the equilibrium is realized in the supply curve and the labor demand curve. One of the problems of the imbalance of the labor balance curve is caused by an imbalance of wages. Keynesian has emphasized the relationship between income and expenditure. Because transactions are two-sided in which one person's income is another person's expense (Jahan, Mahmud, and Papageorgiou 2014). In the theory of income and employment, the level of production output, employment opportunities, and relative prices in an economy are strongly integrated.

The research of (Barro 1981) examining permanent and temporary government spending on labor absorption, the results show that permanent changes in government spending have a greater impact on employment than temporary government spending of the same measure, precisely because permanent changes are associated with the wealth effect affect the optimal supply of labor. Similar results were also found by (Karras 1993) that government spending relating to the public sector has a greater impact on output and employment. However, different findings were obtained (Yuan and Li 2000) who found that an increase in government spending (purchases of government goods and services, and military expenditure) was able to reduce the amount of labor absorption, but if a spike in government spending occurred continuously, it would be able to increase the absorption of labor. In line with research (Yuan and Li 2000), the research of (Dunne and Smith 1990) also found a disconnect between government spending in the military sector and the unemployment rate. So that researchers are interested in examining the effect of government spending, especially spending in the economic sector, on labor absorption in Indonesia from 2010-2019.

II. LITERATURE REVIEW AND FORMULATION OF HYPOTHESES

➢ *Government Expenditure*

Government expenditure is a budget allocation compiled in the State Revenue and Expenditure Budget every year to various sectors or fields to make the people welfare through various programs. In the State Revenue and Expenditure Budget (APBN), the Indonesian government expenditures are broadly grouped into two groups, namely routine expenditures are expenditures that are routinely carried out annually by the government in the context of administering and maintaining the wheels of government, which consists of personnel expenditure, namely for paying employee salaries. including basic salary and allowances, expenditures on goods, namely for the purchase of goods used for daily government administration, subsidies, installments and interest payments for state debt, maintenance expenditures, namely expenditures to maintain government property or assets well maintained and expenditures. travel, namely to run the government. Development expenditures are expenditures made by the government for physical and non-physical development to increase public capital. Examples of physical development are the construction of roads, bridges, schools, and hospitals. Meanwhile, non-physical development such as the implementation of poverty alleviation programs.

Government spending is very important because it involves the output produced for the benefit of the lives of many people. If the government has established a policy to purchase goods and services, government spending reflects the costs that must be incurred to implement the policy. The expenditure made by the government shows its role in the economy to achieve a prosperous society. The government has 4 roles, namely:

- The role of allocation, namely the role of the government in allocating existing economic resources so that their utilization can be optimal and support production efficiency.
- The distributive role, namely the role of the government in distributing resources, opportunities, and economic results fairly and fairly.
- Stabilitative role, namely the role of the government in maintaining economic stability and restoring it if it is in equilibrium.
- Dynamic Role, namely the role of the government in driving the economic development process so that it can grow, develop, and advance faster.

➢ *Labor Absorption*

Labor absorption is a certain amount of energy used in a particular business unit or other words, labor absorption is the amount of labor that is influenced by two factors, namely external factors, and internal factors. Internal factors are influenced by the level of wages, labor productivity, capital and non-wage expenditures, while external factors include economic growth, inflation, unemployment, and interest rates.

There are several important theories about labor issues.

- Adam Smith's Classical Theory (1772-1790)

Adam Smith was the main figure in the flow of economics which became known as classical theory. In this case, Adam Smith's classical theory also sees that the effective allocation of human resources is the starter of economic growth. After the economy grows, the accumulation of new capital is needed to keep the economy growing. In other words, an effective allocation of human resources is a necessary condition for economic growth.

• Keynesian Theory

John Maynard Keynes (1883-1946) argues that in reality, the labor market does not conform to classical views. Everywhere the workers have some kind of trade union that will try to fight for the interests of workers from lowering the level of wages. Even if the wage rate is lowered, but this possibility is considered to be very small, the level of community income will certainly decrease. The decrease in income as a member of society will cause a decrease in the power of society which in turn will cause the overall consumption to decrease, the reduction in the purchasing power of the community will lead to lower prices. Based on the theory that has been described, the hypothesis is that there is a positive and significant influence between government spending on labor absorption.

III. RESEARCH METHODS

➢ *Research Design*

This study is designed to analyze and develop an empirical research model through the causal relationship of government expenditure variables and labor absorption. The research approach is quantitative explanatory.

➢ *Research Site and Time*

Various sources of data are taken through the results of Indonesian state statistics which involve several supporting data such as data on government spending, and economic growth and employment. The research time starts from February-October 2020.

➢ *Population and Sample*

The population and sample in this study use secondary data on government expenditure variables, and employment starts from 2010-2019.

➢ *Data Analysis Method*

- *Data Normality Test*

To determine the normality of collected data on government spending (variable X) and labor absorption (variable Y), a data normality test was conducted. This data normality test uses the Chi-squared formula, according to Sugiyono in (Niswaty and Arhas 2019):

$$x_h^2 = \frac{(fo-fh)}{fh}$$

This testing criterion is done by comparing the price of the chi-squared table. If the calculated chi-square price is less than or equal to the value of the chi-squared table ($X_h^2 \leq X_t^2$), then the data distribution is declared normal, and if it is greater (>) it is declared abnormal

- *Product Moment Correlation Analysis*

The product-moment correlation test is used to test whether there is a significant relationship between government expenditure variables and labor absorption. For this purpose, the Product Moment correlation formula is used according to (sugiyono 2017):

$$r_{xy} = \frac{N\sum xy - (\sum x)(\sum y}{\sqrt{\{N\sum x^2 - (\sum x)^2\}\{N\sum y^2 - (\sum y)^2\}^2}}$$

Keterangan:
r_{xy} = Correlation coefficient
x = Value of Variable X
y = Value of Variable Y

Furthermore, testing the correlation coefficient by testing the hypothesis, namely $H_O: \rho = 0$ against $H_1: \rho \neq 0$. The test criterion is provided that if the number r count> table in a certain sample (N) at a significant level of 5%, it means that there are a significant relationship and vice versa. Another simpler way is to use an interpretation of the obtained correlation coefficient or the r value. Interpretation of the value of r from (sugiyono 2017).

- *Simple Linear Regression Analysis*

According to Sugiyono, simple regression is based on a functional or causal relationship with one independent variable and one dependent variable. Simple linear regression age equation:

$Y' = a + bX$

The test criterion is if F_{count} is greater than F_{table} at a significant level of 5% then H_0 is rejected. So that government spending has a positive and significant effect on labor absorption, and this means H1 is accepted. Likewise, vice versa, if F_{count} is smaller than F_{table} at a significant level of 5%, then H_0 is accepted, which states that government spending has no significant effect on labor absorption.

IV. DATA ANALYSIS

➢ *Data Normality Test*

Before the further analysis is carried out, it is necessary to first determine whether the research data has met the requirements for the use of statistics to be used in hypothesis testing. The test of analysis requirements for the use of statistics is that the data obtained is at least normally distributed. The data normality test is intended to determine the normality of data, regarding government spending and employment, so that it can be continued with parametric statistical calculations.

The normality test used the One-Sample Kolmogorov Smirnov statistical method. This testing criterion is carried out by looking at the significance value (Asymp.Sig 2-tailed), if the value is more than 0.05 then the data is declared normal, and vice versa.

Table 1. Data Normality Test

One-Sample Kolmogorov-Smirnov Test

		Government Expenditure	Labor Absorption
N		10	10
Normal Parameters[a,b]	Mean	185,234,407.50	10,092,638.7200
	Std. Dev	9,936,903.929	5,134,147.34499
Most Extreme Differences	Absolute	.103	.301
	Positive	.102	.164
	Negative	-.103	-.301
Kolmogorov-Smirnov Z		.325	.952
Asymp. Sig. (2-tailed)		1.000	.325

Source: SPSS Data Processing

From Table 1, the Kolmogorov Smirnov significance value for each variable is normally distributed because the significance value is more than 0.05.

➢ *Product Moment Correlation Analysis*

The product-moment correlation test is used to test the relationship between one independent variable and one dependent variable. The results of the product-moment correlation data processing are presented in table 2.

Table 2. Product Moment Correlation

Correlations

		Government Expenditure	Labor Absorption
Government Expenditure	Pearson Correlation	1	.832**
	Sig. (2-tailed)		.003
	N	10	10
Labor Absorption	Pearson Correlation	.832**	1
	Sig. (2-tailed)	.003	
	N	10	10

Source: SPSS Data Processing

The results of the product-moment correlation analysis in table 2 show that the r-count is 0.832 which is then adjusted to the interpretation guidelines. (sugiyono 2017). So it is said that the correlation coefficient of 0.611 is in the interval 0.80-1,000 with a very strong level of relationship.

Furthermore, to test the significance of the relationship, namely whether the relationship found applies to the entire population, it is necessary to test its significance. Whether the correlation of these results is significant or not, then compared with r-count with r-table

with a significance level of 5 percent and respondent (N) = 10, then the r-table is obtained of 0.632.

Based on the product-moment correlation test analysis, it is stated that there is a significant relationship between government spending and labor absorption because the r-count (0.832) is greater than the r-table (0.632).

➢ *Simple Linear Regression Analysis*

Simple linear regression analysis is used to test the hypothesis in this study, namely "it is suspected that there is a positive and significant influence of government spending on labor absorption". For more details, see table 3:

Table 3. Summary of Simple Linear Regression Analysis Results

	Government Expenditure
R-value F	0,832 18,052
Significance	0,003
Constant	69.574.901,079
Government Expenditure	0,430
Value of R Square	0,693
Dependent Variable: Labor Absorption	

Source: SPSS Data Processing

The R-value of government spending and labor absorption is 0.832 if interpreted according to (Sugiyono 2010) The R-value of government spending and labor absorption is 0.832 if interpreted according to:

$\hat{Y} = 69.574.901,079 + 0,430X$

then it is in a very strong category. ANOVA test or F Test obtained the calculated F value is 18.052 which means Ha ≠ 0 then, H0 is rejected with a significance of 0.003 because the significance is much less than 0.05, the regression model is linear, meaning that it can be used to predict government spending on labor absorption. . while the regression model is.

V. DISCUSSION

The results showed that there was a positive and significant effect of government spending on labor absorption in Indonesia in 2010-2019. These results are by the research results (Fatás and Mihov 2001; Karras 1993; Sunusi, Kumenaung, and Rotinsulu 2014).

Absorption of labor can be linked to the balance of interactions between the demand for labor and the supply of labor, in which the demand for market labor and the supply of market labor together determine a level of equilibrium wages and use of equilibrium labor. In the world of work or in terms of employment, each sector is different for the absorption of labor (Arsyad et al. 2019; Trianto 2017)

The labor factor as part of the human resources (HR) during the national development phase is a very important factor for the success of the implementation of national development in Indonesia. The utilization of the workforce will certainly be able to accelerate national development and growth (Erumban et al. 2019; Nayagam 1992; Yousaf et al. 2011). Traditionally, population and labor force growth is considered as one of the factors that have a positive influence in spurring national development and economic growth (Diartho and Hanuraga 2018; Portes and Benton 1984).

VI. CONCLUSION

Based on the results of the product-moment correlation analysis, government spending has a very strong relationship with labor absorption. Simple linear regression analysis shows that there is a positive and significant effect of government spending on labor absorption by 69.3% and another 30.7% influenced by other factors.

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