ABSTRACT

SYAF'I NUR. Is there Any Anomali between Economic Growth and Employment Rate? Under the direction of HERMANTO SIREGAR and DJONI HARTONO.

Economic growth expands the material base for the fulfillment of human needs. The extent to which these needs are met depends on the allocation of resources among people and uses and the distribution of opportunities, particularly employment. This research examines whether there is anomaly links between economic growth and employment rate for provinces in Indonesia with various economic performance over 2002-2009 periods. Using panel data models, economic growth, and employment rate is expressed in the econometric function of regional GDP, macroeconomic indicators, educational level and regional minimum wage.

The main result is the long run coefficient of regional GDP has positive impact to the strong and week links provinces categories (quadrants I and III) and the unbalanced links (quadrants II and IV). It explains that economic growth has links to employment rate and indicating that there is a key link back. The link between them is not automatic. The link can be strengthened through sensible policy actions that can make them mutually reinforcing. When the links are strong, they contribute to each other, but when the links are weak or broken, they can become mutually stifling as the absence of one undermines the other. Unbalanced links are the results of rapid employment rate with little growth or of fast growth with slow employment rate.

In the long run, economic growth and employment rate generally move together and tend to be mutually reinforcing. This research also analyzes the response of contribution of sectors to the regional GDP and educational level affected to employment rate, and indicating a change in trend of employment rate. Hence, when the economic growth is positive and inelastic, it means the response of economic growth to change employment rate is relatively low. However, the estimation results are also show that the labor elasticity is positive and tends to decrease over time. Here, the estimation value of economic growth varies across provinces where the strong and weak links have higher elasticity then the unbalanced links.

Keywords: economic growth, employment rate, panel data, regional minimum wage, labor elasticity.