

The Labor Force Participation Rate, Export, and The Educational Investment Impact for The Economic Growth in Riau

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Abstract

The purpose of this study is to determine the effect of Labor Force Participation Rate (TPAK) on Economic Growth, to know the effect of export on economic growth, and to know the effect of educational investment on economic growth. The research method used is: (1) using secondary data, (2) literature review / study, and (3) Eviews programs 8. The results of this study indicate that Labor Force Participation Rate (TPAK) has no significant effect on economic growth, have a significant effect on economic growth, and educational investment has no significant effect on economic growth.

Keywords: economic growth, the labor force participation rate, export, and the educational investment

Introduction

Economic development is one of the crucial things in national development which aim to increase the public welfare. To attain the equitable development, economic growth is becoming one of the substantial things which must reach in an economic development process. The meaning of economic growth is economy activity which is causing the goods produced and services provided that produced to rise in order that society affluence increasing. The economic growth problems could be seen as a macro economy in long term.

According to Wulan Anggraini (2011), the great economic growth has not been sure to be a good guarantee for all regional if not following with the expansion of employment opportunities to accept the workforce every year. In the world of work, the national or regional economic growth is such a related with the expansion of employment opportunities because the factor of labor production is the significant factor for economic growth. Therefore, the population growth should be balanced with the expansion of employment opportunities in order that job seekers could be able to decrease. The population growth and that is related with a rising the labor production traditionally regarded as a positive factor and to stimulate economic growth.

Besides TPAK, the factor affecting economic growth is export. In accord with the regulation No 2/2009, export is the activity to go out of the goods produced and services provided from a custom areas Indonesia. Exporter is business entity, either the legal entity or nonlegal entity, including a personal exporter. Export has an important role in the national economy activity. Export will get the foreign exchange which will be used to pay out of the national import activity. The value-added aggregation generated by all of the unit production in economy is a gross domestic product (Sutawijaya, 2010)

Both TPAK and export is being caused economic growth, the educational investment affects economic growth as well. To improve the human quality must have a good infrastructure and budget to support the human resource investment. Bastias (2010) thought that government expenditure for education field is an investment for economic growth. The government's investment in education will affect to increase the human resource and to excite the economic growth. The next government's

investment will affect the economic growth, because the availability of many resources for development.

Methods

The research is using descriptive and associative method research. Descriptive research is the research aimed to describe and interpret the condition that happened. Associative research is the research aimed to see related between independent variables and dependent variables, and to see correlation between these variables. Independent variables in that research are the labor force participation rate, export, educational investment. Meanwhile, dependent variable is the economic growth.

The data for this research are that the main data is the quantitative data, the secondary data were pooling data and time series. Pooling data for this research were collected from regencies/cities in Riau with a time span 2011-2015. The total data to be processed for this research were $12 \times 5 = 60$. The secondary data were from the Riau Central Bureau of Statistics (*Badan Pusat Statistik—BPS*), the national development agencies (*Bappeda*), internet, journals, literatures that were relevant in this research.

The stage of examination for this research is using Eviews 8 that is Chow tests, Hausman test, and Langrange multiplier testing for the labor force participation rate, export, and educational investment in Riau.

Results and Discussion

The economic growth in Riau, seen from the growth side, experience decreased in 2011-2015, however a decreased that experience a fluctuation as well. In 2012, Riau's economic growth is 4,87% and extremely experience decreased 1,89% in 2015. In the labor force participation rate Riau run into fluctuation. Riau growth percentage in the labor force participation rate are -0.24% in 2012, 0.94% in 2013, 0.40% in 2014 and 0.18% in 2015.

Amount of export growth in Riau, based on the growth side, has been fluctuation during 2011-2015. Amount of export growth in Riau is -2.87% in 2012, then has increased 18.31% in 2013, 53.55% in 2014 and has extremely decreased -11.87% in 2015. Riau's educational investment rate growth has been fluctuation as well during 2011-2015. Riau's educational investment rate growth is 482.61% in 2012, then has decreased -9.24% in 2013, has increased 766.22% in 2014, and then has decreased 355.18% in 2015.

The first stage conducted was the Chow test. That test is comparing which is the best between Common Effect Model (CE) and Fixed Effect Model (FE). Chow testing is known that a significance Cross-section random that is 0.9696 (>0.05) then the best model to use is Common Effect. Hausman testing is useful to identify a significance cross-section random that is 0.9140 (>0.05) then the best model to use is random effect. Langrange multiplier test was used to test random effect model based-on the residual value from common effect model. There is a result Langrange multiplier test with use statistic formula, then the resulted best regression model was random effect model.

The next stage is to see the labor force participation rate estimation results, export, and the educational investment for the economic growth in Riau. Based the analysis results on estimation of regression adjusted r-squared from the economic growth equation is 0.122543. That thing showing is the independents variable contributions explaining the dependent variable that is 12%. That mean the independents variable have a low contribution for the dependent variable. The last stage is the hypothesis testing. To see t testing, we could see a probability on $\alpha = 0.05$. The following is the hypothesis testing result for the labor force participation rate, export, and the educational investment affection for the economic growth in Riau.

The first hypothesis is the labor force participation rate which hasn't an impact for the economic growth in Riau. Based the estimation on table 1.6 occurred a significant value of the labor force participation rate for the economic growth 0.0576 (>0.05). Therefore, we could partially assume that the labor force participation rate hasn't a crucial impact for the economic growth in Riau. However, it hasn't a crucial impact but the effect has a positive.

The second hypothesis is the export which has a significant impact for the economic growth in Riau. Based the estimation on table 1.6 occurred a probability significant value of export for the economic growth 0.0459 ($<$ from $\alpha = 0.05$). Therefore, we could partially assume that the export has an important impact for the economic growth in Riau. It's because the goods and service of export have increased for the tax, customs, income growth for Riau.

The third hypothesis is the educational investment which hasn't an impact for the economic growth in Riau. Based the estimation on table 1.6 occurred a significant value of the educational investment for the economic growth 0.9167 ($>$ from $\alpha = 0.05$). Therefore, we could partially assume that the educational investment. Therefore, we could partially assume that the export has an important impact for the economic growth in Riau. However, it has not a crucial impact but the effect has a positive.

The labor force participation rate impact for the economic growth in Riau

The labor force participation rate and the economic growth have a close correlation. To know the description of the economically productive workers who are capable producing the goods produced and services provided, therefore the labor force participation rate is a comparison between the amount of workforce and the amount of working age population. To know amount of the labor force participation rate in a country, the government will be making some planning and regulation related the labor market in a country so that workforce could be accepted and supporting the economic growth through producing the goods and services provided.

The first hypothesis for this research, based on the statistic testing, is the labor force participation rate is not significantly taken effect for the economic growth. Thus, the first hypothesis can't be accepted by this research. The research results are consistent with that of Anggraini (2011) that report that the labor force participation rate variable has not an effect for the economic growth. Bagiyo (2007) show that in 1979 the labor force participation rate had increased and the workforce started the job to produce the economically goods and service.

The export impact for the economic growth in Riau

Export is the important factor increasing the economic growth in a country. Export will expand consumption capacity of the country increasing output of the world, and is providing the access to a scarce resource and the potential international market to various export product which is without that goods, the country couldn't expand the national economy activity. Export could help the domestic economic growth to run business through the promotions and strengthening in the economy sector containing a comparative advantage, either the factor of numerous available production or the workforce productivity. Export could help the domestic economic growth to take advantage from economy rate that they have. To increase the economic growth and domestic development, every region need to implement the international regulations which is outward oriented. In all case, the independence is based on an isolation, either full or only partial, nonetheless economically its value will be lower rather the international free trade participation (Tarado and Smith, 2004, 28).

The second hypothesis for this research, based on the statistic testing, explained that export has a significant effect for the economic growth. Consequently, the second hypothesis can be accepted by this research. That thing is showing that to increase amount of the economic growth output and rate, accordingly export must be increased. The results are consistent with Irma (2015) who explain that the export variable has a crucial effect for the economic growth. Export will be expanding a domestic consumption capacity to increase the world output, which provides the scarce resources and the

export product to send in the international market. In order to the poor and developing countries can elaborate their economy activity.

The education impact on the economic growth in Riau

Government expenditure for an education is an investment for the economic growth. That development effect can't be directly impact but need a few years to feel an impact. There is a time lag when the government put out of expenditure for the education sector on that effect, thus need a research to prove that things. The investment education from government will be an impact to increase the human resource quality. It will be increasing the economic investment. Subsequently, it will influence the economic development because of the amount of capital available.

The third hypothesis for this research, based on the statistic testing, explained that the educational investment hasn't a significant effect for the economic growth. Accordingly, it couldn't accept because the fact that is the educational investment has an impact for the economic growth however couldn't be directly felt. The results are in line with Dwi (2010) explain that education variable hasn't a significant impact for the economic growth. In her research describe that government expenditure for an education has no impact for the economic growth.

Conclusions

The conclusions for this research are *the first*, higher levels of labor force participation (TPAK), will be increasing economic growth. However, in the results of testing on this research shows its influence is positive but not significant. Second, the larger the value of export, thus increasing economic growth. The test results of this study showed positive and influential export variables significantly to economic growth in the province of Riau on 2011 – 2015. Third, the larger the value of investment education, thus increases economic growth. However, in the results of testing on this research shows its influence is positive but not significant.

The suggestions for this research are the first, from the third free variables that are affected by economic growth of Riau Province, then the Government should have to raise any more production abroad because in this study exports to contribute to the highest. The second, to the following research, this research is expected as reverence to do the next research about the labor force participation rate estimation results, export, and the educational investment for the economic growth in Riau and will get the research result more better the before, consequently that research will be giving the good input for the economic development increasing effort in Riau.

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