Analysis of Factors Affecting Unemployment and Poverty Rates in Balikpapan City

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ABSTRACT

The purpose of this research is to analyze factors affecting unemployment and poverty rates in Balikpapan City. This research is quantitative research. The type of data used is secondary data, namely data obtained based on information that has been compiled and published by the Balikpapan City Central Statistics Agency and other agencies. In order to test the hypothesis to find the relationship between the behavior of two independent variables and the dependent variable, path analysis is used, and assisted by the IBM Statistic software program version 29. The research results show that gross regional domestic product has a significant effect on unemployment in Balikpapan City. Inflation has a significant effect on unemployment in Balikpapan City. Investment has a significant effect on unemployment in Balikpapan City. Human development index has a significant effect on unemployment in Balikpapan City. Gross regional domestic product has a significant effect on poverty in Balikpapan City. Inflation has a significant effect on poverty in Balikpapan City. Investment has a significant effect on poverty in Balikpapan City. Human development index has a significant effect on poverty in Balikpapan City.

Keywords: Unemployment, Poverty, Gross Regional Domestic Product

INTRODUCTION

Poverty is a problem that often arises in society. Poverty is also a social problem that remains relevant to be studied continuously. Until now, poverty has not been eradicated, especially since its symptoms continue to increase in line with the ongoing multidimensional crisis (Mariani et al., 2023). Poverty can be caused by several factors, namely high unemployment rates, unstable inflation rates, and investment levels that are still below standard. Based on these factors, it can trigger income disparities and inequality between communities, if left unchecked, this will cause various problems, both social problems and political problems in the future (Tambunan et al., 2024).

The current growing industry in Balikpapan City can increase the gross regional domestic product of the region. It can overcome various cases of development and social society such as poverty and unemployment, but what happened in Balikpapan City was the opposite where the poverty and unemployment rates were still high.

The still high poverty and unemployment rates in Balikpapan City cannot be separated from the development strategy implemented. The problem of poverty in Balikpapan City is one of the main problems in economic development. Economic development is essentially aimed at improving people's welfare (Arsyad, 2010). To achieve the goals of economic

development, it is necessary to have an increased gross regional domestic product and an even distribution of income, but what happened in Balikpapan City was the high poverty and unemployment rates.

The poverty rate in Balikpapan City in the number of poor people in Balikpapan City in 2020 was 17,020 people or 2.57 percent of the population of Balikpapan City. This means that there was an increase in the poor population by 1,240 people or 0.15 percent compared to 2019 at 2.42 and 2018 at 2.64 percent.

The problem of poverty in Balikpapan City is inseparable from the large number of unemployed during the same period. the open unemployment rate in Balikpapan City in August 2019 reached 7.29 percent or 18,800 people, a decrease compared to the open unemployment rate in August 2018 which was 9.52 percent (29,491 people). In 2020 the unemployment rate in Balikpapan City rose to 9 percent, due to the impact of the COVID-19 pandemic.

Efforts to reduce poverty and reduce unemployment are equally important in terms of the success of a region (Boediono, 2001). Unemployment and poverty are like a circle that has no end where if people are not unemployed it means they have jobs and income, with the income they have from working it is expected to be able to fulfill their lives (Jhingan, 2004). If the necessities of life are met, then there will be no poverty and the community will be prosperous (Sukirno, 2004).

When the nation's capital is later moved to East Kalimantan. Among them are the threats of a population surge that will arise. Especially for Balikpapan City which is a buffer zone for the nation's capital. With the relocation of the capital in 2024, it can actually increase the gross regional domestic product and the human development index will improve, besides that inflation can be overcome and investment will increase which in the end is expected to reduce unemployment and poverty in Balikpapan City.

The purpose of this research is to analyze factors affecting unemployment and poverty rates in Balikpapan City.

RESEARCH METHODS
This research is quantitative research. This research looks at the symptoms of observation results converted into numbers so that statistical techniques can be used to analyze the results (Edy, 2014). Quantitative data is data in the form of numbers, or numbers.

Secondary data refers to data collected by someone other than the primary user.

Common sources of secondary data for social sciences include censuses, information collected by government departments, organizational records, and data originally collected for other research purposes (Pandiangan et al., 2024). The type of data used is secondary data, namely data obtained based on information that has been compiled and published by the Balikpapan City Central Statistics Agency and other agencies. Data collection is carried out by means of a literature study. This literature study method is data collection by conducting theoretical studies of books, literature, notes, and reports from the Central Statistics Agency that are related to the problem to be solved.

In order to test the hypothesis to find the relationship between the behavior of two independent variables and the dependent variable, path analysis is used, and assisted by the IBM Statistic software program version 29. The influence in the path is shown by the path coefficient in each path diagram of the causal relationship between the independent variables and the dependent variable (Ghozali, 2016). Path analysis also tests partially (t). The t test is a test of individual partial regression coefficients used to determine whether the independent variable (X) individually affects the dependent variable (Y) (Ferdinad, 2002).

RESULT AND DISCUSSION

General Description

Balikpapan City is a city in East Kalimantan Province, Indonesia. Balikpapan City is the second largest city in East Kalimantan, after Samarinda City, with a total population of 733,396 people in mid-2023.

As a business and industrial center, this city has the largest economy in the entire Kalimantan Province, with a total gross regional domestic product reaching IDR 79.65 trillion in 2016. Balikpapan City is one of 3 gateways to the new capital city of Indonesia, with the presence of Semayang Port, the second busiest after Samarinda Port and Sultan Aji Muhammad Sulaiman International Airport which is the third busiest city airport in Kalimantan Province, after Banjarmasin City and Pontianak City.

The formation of Balikpapan City began from a fishing village on the shores of the Makassar Strait in the 19th century. The first drilling of an oil well in this city began on February 10, 1897, which was later designated as the anniversary of Balikpapan City. In 1907, Bataafsche Petroleum Maatschappij (BPM) established an office in the city, which was then followed by investment from various multinational companies. Based on a public perception survey with 1,000 respondents, Balikpapan City was previously named by IAP as one of the most livable cities in Indonesia in 2014 and 2017.

Hypothesis Test

Table 1. Hypothesis Testing Regression Model for Unemployment

Coefficients[a]					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	962.285	594.261		1.619	.136
GRDP	7.997E-7	.000	.048	.112	.002
Inflasi	.015	.428	.013	.036	.004
Investasi	9.386E-11	.000	.171	.469	.003
HDI	.012	.081	.050	.151	.000
a. Dependent Variable: Unemployment					

Source: Processed Primary Data (2024)

Gross regional domestic product (GRDP) has a significant effect on unemployment in Balikpapan City. This condition shows that gross regional domestic product in Indonesia can solve unemployment with a high and evenly distributed gross regional domestic product. Gross regional domestic product can reduce unemployment. The government must pay attention to the gross regional domestic product sector so that countries or provinces in Indonesia can become countries with unemployment that can be resolved properly.

Inflation has a significant effect on unemployment in Balikpapan City. High inflation will not make the economy grow. Increasing costs cause production activities to be very unprofitable, production investment will decrease and the level of economic activity will decrease. As a result, more unemployment will occur. The low unemployment rate is considered to be related to the tight labor market and high levels of income and demand from consumers. The Phillips curve also provides an idea of the choice between unemployment and inflation. To reduce the inflation rate, the unemployment rate must increase temporarily and to reduce unemployment, higher inflation must be accepted.

Investment has a significant effect on unemployment in Balikpapan City. Investment activities allow a society to continuously increase economic activities and employment opportunities, increase national income, and increase the level of community prosperity. Every change in investment variables from within the country or foreign investment has an impact

on employment opportunities. Similar to unemployment, every change in investment variables of foreign investment will affect the gross regional domestic product in Indonesia.

Human development index (HDI) has a significant effect on unemployment in Balikpapan City. The human development index contains three important dimensions in development, namely those related to aspects of fulfilling the need for a long and healthy life, to gain knowledge and be able to meet a decent standard of living. The better the health level of the workforce, high knowledge, and obtaining a decent life, the better and better the work results will be, on the contrary, the worse the condition of the workforce, the worse the work results will be or not of good quality. This shows that the three important dimensions in human development are indicators for assessing the quality of human resources who are ready to work so as to reduce the high unemployment rate in a region.

Table 2. Hypothesis Testing Regression Model for Poverty

Coefficients[a]					
Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
	B	**Std. Error**	**Beta**		
1 (Constant)	1742.622	641.946		2.715	.022
GRDP	1.712E-6	.000	.070	.221	.001
Inflasi	.113	.462	.066	.244	.000
Investasi	4.600E-10	.000	.573	2.127	.004
HDI	.159	.088	.446	1.816	.002
a. Dependent Variable: Poverty					

Source: Processed Primary Data (2024)

Gross regional domestic product (GRDP) has a significant effect on poverty in Balikpapan City. Gross regional domestic product is an indicator to see the level of development success and is a requirement for poverty reduction. The requirement is that the results of the gross regional domestic product are spread across all levels of society, including the poor. This means that there must be equitable development in various regions, especially in regions or provinces in Indonesia. The increase in gross regional domestic product in Indonesia shows that from year to year it should be able to have a good impact on society, so that people can increase their income. When the gross regional domestic product of a country or region increases, people's income is certain to increase due to the large number of jobs. With the increasing rate of gross regional domestic product, the output produced will be greater, thus the workforce can be absorbed and poverty can be overcome properly.

Inflation has a significant effect on poverty in Balikpapan City. With the increase in aggregate demand, then according to the theory of demand, if demand increases then prices will increase. With high prices, to meet this demand, producers increase their production capacity by adding workers (assuming that labor is the only input that can increase output). As a result of the increase in demand for labor, with the increase in prices (inflation), unemployment and poverty are reduced.

Investment has a significant effect on poverty in Balikpapan City. An important function of investment activities, namely one component of aggregate expenditure, so that an increase in investment will increase aggregate demand, national income and employment opportunities. The addition of capital goods as a result of investment will increase production capacity. Investment is always followed by technological developments.

Human development index (HDI) has a significant effect on poverty in Balikpapan City. The human development index is built through a basic three-dimensional approach. These dimensions include longevity and healthy living, knowledge, and a decent standard of living. The health dimension

uses life expectancy, then to measure the knowledge dimension, the indicator of the length of schooling is used. As for measuring the decent living dimension, the indicator of people's purchasing power is used for a number of basic needs which is seen from the average amount of expenditure per capita as an income approach that represents development achievements to be able to live decently.

CONCLUSION AND SUGGESTION

The research results show that gross regional domestic product has a significant effect on unemployment in Balikpapan City. Inflation has a significant effect on unemployment in Balikpapan City. Investment has a significant effect on unemployment in Balikpapan City. Human development index has a significant effect on unemployment in Balikpapan City. Gross regional domestic product has a significant effect on poverty in Balikpapan City. Inflation has a significant effect on poverty in Balikpapan City. Investment has a significant effect on poverty in Balikpapan City. Human development index has a significant effect on poverty in Balikpapan City.

Based on the results and discussions, several suggestions can be put forward as follows:

1. Gross regional domestic product is expected to be one alternative way to improve conditions in Balikpapan City. However, the desired growth is growth that is evenly distributed across all provinces or regions in Indonesia. The government should also build new and evenly distributed growth centers to reduce the number of unemployed, so that it can be directed to encourage the potentials that exist in Balikpapan City.

2. The government can create a conducive business climate by reducing excessive bureaucracy, simplifying regulations, and ensuring strong legal protection for investors. This will encourage more investment in various economic sectors. It is important to maintain good coordination between monetary and fiscal policies. This allows for a more effective response to the challenges of inflation and unemployment.

3. Increasing access to quality education and skills training will help improve the qualifications of the workforce and enable them to get better jobs. Education and training that are in accordance with the needs of the labor market can help reduce poverty levels. Supporting entrepreneurship and the development of small and medium enterprises can create jobs and opportunities for the less fortunate. This can also reduce income inequality. Encouraging economic diversification by promoting different sectors can reduce dependence on a particular sector and increase the economy's resilience to changing market conditions.

4. Increasing access to quality education and skills training can help individuals improve their qualifications, which in turn can help them get better jobs and increase their incomes. Encouraging investment in different sectors of the economy can help reduce dependence on a particular sector that may not be able to absorb much of the workforce. Economic diversification can create more job opportunities. Investments in infrastructure such as transport, energy, and communications can increase productivity and create jobs during construction and operation.

5. Setting a decent minimum wage and adjusting it periodically with inflation can help protect low-income workers from poverty. Investments in education and skills training can help individuals improve their qualifications, which can help them compete in the labour market and increase their incomes.

6. Encouraging training and re-engineering programmes to develop skills that match labour market demand. This can help the unemployed get better and more stable jobs.

7. Encouraging entrepreneurship and supporting the establishment of small and medium-sized enterprises can help the unemployed become successful entrepreneurs and create employment opportunities for others. Investments in education and training that are tailored to

the needs of the labor market can help improve the qualifications of the workforce. This will make it easier for them to engage in growing sectors of the economy and reduce unemployment. Encouraging entrepreneurship and supporting the establishment of small and medium-sized enterprises can create new job opportunities and reduce unemployment. These initiatives can include capital assistance, training, and access to markets.

8. Investments in infrastructure and logistics can help facilitate access of farmers and local producers to markets, which in turn can increase incomes and reduce poverty. Encouraging investment in the agricultural sector by providing technical support and access to markets can help farmers increase their production and incomes. Facilitating partnerships between the public and private sectors in investment projects can help improve access to capital and technology, as well as create employment opportunities.

9. Creating a clear and publicly acceptable inflation policy will help maintain confidence and protect the economy from adverse price fluctuations. Focus on the most marginalized and poor areas with poverty alleviation programs aimed at creating jobs and economic opportunities. Ensuring price controls for essential goods such as food and fuel can help keep prices under control. Conduct regular evaluation of the impact of inflation on poverty to measure the effectiveness of policies that have been adopted.

10. Further researchers are expected to add other variables that can affect economic growth, investment, and inflation on unemployment and poverty in Indonesia.

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