

Regional Inequality in Human Resources and Natural Resources Regency/City in the Province of South Sumatera

Zazili Mustopa¹, Didik Susetyo², Azwardi³, Sukanto⁴

^{1,2,3,4}Sriwijaya University, Indonesia

zazili.1971@gmail.com

Abstract

This study uses panel data analysis. The research data used is secondary data from 17 districts/cities in South Sumatera Province. Data processing uses panel data regression from 2010 to 2020 with statistical data processing tools. The variables in this study are human resources and natural resources as independent variables, while regional inequality is the dependent variable. This study aims to determine the effect of human resources and natural resources on regional inequality. The results of this study are human resources variables affect inequality, natural resources variables affect inequality.

Keywords

Inequality; human resources; natural resources.



I. Introduction

In the implementation of economic development, high growth is the main target for developing countries. Economic growth that occurs during a certain period cannot be separated from the development of each sector or sub-sector that contributes to the added value of the economy of a region. High economic growth still leaves problems that must be faced in the development of a region. The government's role is very important in increasing economic growth, because it includes providing public needs to the community that cannot be provided by other private parties. It is stated that economic growth is an indicator of the success of the economic development process.

Inequality between regions is caused by the mobilization of resources owned by a region. These resources include the accumulation of capital, labor, and natural resources owned. The existence of heterogeneity and various characteristics of a region causes a tendency for inequality between regions and between economic sectors of a region to occur. Some of the main factors that cause inequality between regions, namely, differences in the content of natural resources, differences in demographic conditions, lack of smooth mobility of goods and services, concentration of regional economic activities and allocation of development funds between regions. The concentration of economic activity in only a certain area directly has an impact on regional income disparities which vary widely. One region is able to provide high income, while the other region provides relatively low income.

The main impact of regional inequality is unemployment, poverty and the low quality of human resources. This impact is a derivative impact of the lack of employment in the area concerned, which is caused by a lack of investment from both the government and the private sector, and results in unemployment. If unemployment occurs, it is usually followed by poverty. Poverty causes the quality of human resources (the next generation) to tend to be low, due to the limited ability to enjoy education due to low incomes and even none at all, so that people focus more on meeting the most crucial needs, namely food and drink. Regional inequality is often a serious problem and if it cannot be handled carefully it will lead to more complex crises such as population, economic, social, political,

environmental issues and also in a macro context can harm the development process that a region wants to achieve. Developed regions continue to leave underdeveloped regions and the presence of non-leading sectors is a burden. In Indonesia itself, it can be seen that there are developed and less developed regions as a result of these differences.

The government's role in responding to increasingly complex development challenges is urgently needed. Referring to the view Keynes (2018) illustrates the importance of the government's role in the economy through fiscal policy which can be explained that when economic performance deteriorates and investment declines thereby slowing economic activity, the government must stabilize the level of investment. Governments should borrow money to cover budget deficits and participate in public investments, such as building roads, new bridges, and building schools to promote better education. On the other hand, if business investment is high due to high optimism, the government should stop borrowing and reduce its public investment.

Regional government expenditures, both provincial and district/city expenditures reflected in the APBD are divided into two main groups, namely routine expenditures or regional apparatus expenditures and development expenditures or public service expenditures. Of the two types of expenditure, routine expenditure or regional apparatus expenditure is the dominant type of expenditure in development expenditure in most regions, both in the province of South Sumatra and in most regions in Indonesia. Routine expenditure or regional apparatus expenditure includes personnel expenditure, goods, maintenance, official travel, loans along with interest and subsidies. All of these types of expenditure are consumption expenditures. Meanwhile, development expenditures or public service expenditures are divided according to development sectors which are more of an accumulation of capital stock. This role is contained in government spending, namely the Government Expenditure Budget which is reported annually as the State Revenue and Expenditure Budget, hereinafter abbreviated as APBN. The state budget is implemented as much as possible for the prosperity of the people in accordance with the ability to collect state revenues in order to support the realization of a sustainable national economy. Including the government's role in improving human resources (HR) through the quality of education, health, and expanding business opportunities or employment opportunities.

The development of the provinces since the 2000s on the island of Sumatra and decentralization has also had an impact on pushing the inequality between provinces to be wider. Therefore, by looking at the differences in economic growth of each province that causes inequality between regions to be uneven, this study is expected to be able to review how big the inequality is in various provinces in South Sumatra. To ensure the implementation of human development, especially those directly in the form of human capital, a number of growth models have been developed. The neoclassical model generally emphasizes the provision of labor, capital stock and technological change in the process of economic growth, which then develops into human resources in economic growth.

Improvement of the national economy must be oriented towards the implementation of development in other sectors, such as natural resources which include agriculture, plantations, marine, and the mineral resources sector (oil and gas). Some of these sectors aim to improve the welfare and prosperity of the people, as well as reduce inequality between regions, because each region has superior natural resources. Opening access to development is expected to increase economic growth starting from the community according to the conditions of their respective regions. This idea of economic improvement is in line with the enactment of laws on regional government (regional autonomy) and financial decentralization between the central government and regional governments.

Natural resources in the province of South Sumatra are dominated by the oil and gas sector, plantations and agriculture, of the three things, the implementation of regional autonomy will run well, moreover the regional government must have regional original income (PAD) in the context of regional autonomy. On the other hand, some regions still have a dependence on revenues from the Central Government, therefore each region is expected to be able to develop their regional potential, this can determine the success of regional governments in implementation and development as well as community welfare. The role of the government to improve people's welfare through fiscal policy, at the national level is reflected in the APBN and at the regional level it is realized through the relevant regional APBD. Economic policies on a regional scale followed by regional financial policies are the implementation of fiscal decentralization as a form of decentralization of development in Indonesia. The decentralization approach in the fiscal sector is considered as a solution to improve people's welfare, either directly or through macroeconomic indicators such as; economic growth as well as the opening of job opportunities and business opportunities for the community in each region. Regional development policies outlined in regional financial policies through the Regional Revenue and Expenditure Budget (APBD) are an opportunity for regional governments to more clearly utilize their authority to develop development capacity and the regional economy so as to improve the welfare of its people.(Hendarmin, 2012). The APBD policy is an illustration of the seriousness of the local government in improving public services to improve the welfare of the community. In the aspect of regional spending, spending policies must be able to provide a large multiplier effect on the economic activity of the community through the programs it finances.

Referring to the previous research and the background, this study aims to analyze: 1) economic growth and regional inequality in the South Sumatra Region. 2) the influence of human resources and natural resources on economic growth and regional inequality in the South Sumatra region. 3) the relationship between economic growth and regional inequality in the South Sumatra region. The differences in previous studies used a lot of capital expenditure variables, while this study used government spending, economic growth, regional inequality, labor, investment and natural resources and the limitations of previous research using the regression method.. This study emphasizes the relationship between variables, either simply or multiply.

II. Review of Literature

2.1 Regional Inequality

Inequality is a phenomenon that occurs in almost all layers of the world, be it poor countries, developing countries, or developed countries, the only thing that distinguishes them is the magnitude of the level of inequality, therefore inequality cannot be eliminated but can only be suppressed to the limit. tolerable(Sukwika, 2018; Kuncoro, 2013). The increase in per capita income does indicate the level of economic progress of a region. However, the increase in per capita income does not always indicate that the income distribution has been evenly distributed. Often in developing countries, the economy emphasizes the use of capital rather than the use of labor so that the benefits of the economy are only enjoyed by some people. The concentration of economic activity in only a certain area directly has an impact on regional income disparities which vary widely. One region is able to provide high income, while the other region provides relatively low income. In turn, all of that will have an impact on the regional ability to grow and develop

in the future (Fleisher, Li, & Zhao, 2010). In the implementation of development, high growth is the main target for developing countries. Economic growth that occurs during a certain period cannot be separated from the development of each sector or sub-sector that contributes to the added value of the economy of a region. High economic growth still leaves problems that must be faced in the development of a region. The government's role is very important in increasing economic growth, because it includes providing public needs to the community that cannot be provided by other private parties.

According to Sjafrizal (2008), there are several main factors that cause inequality between regions, namely, differences in natural resource content, differences in demographic conditions, lack of smooth mobility of goods and services, concentration of regional economic activities, allocation of development funds between regions. The concentration of economic activity in only a certain area directly has an impact on regional income disparities which vary widely. The high concentration of economic activity in certain areas is one of the factors that causes development disparities between regions. Economic development in areas with a high concentration of economic activity tends to grow rapidly compared to areas with a low concentration of regional economic activity.

Likewise, the concentration of population in and around big cities is usually followed by income disparities between regions (Soebagyo, 2013). In an effort to reduce the rate of inequality, the right policies must be determined. The selection of the right policies will create a fairly good stability of economic growth in accordance with what is desired by the government and society. Therefore, the involvement of all economic actors in regional development must be carried out as well as possible. Different regional economic growth will cause economic disparities and income inequality between regions. The main impact of regional inequality is unemployment, poverty and the low quality of human resources. This impact is a derivative impact of the lack of employment in the area concerned, which is caused by a lack of investment from both the government and the private sector, and results in unemployment. If unemployment occurs, it is usually followed by poverty. Poverty causes the quality of human resources (the next generation) to tend to be low, due to the limited ability to enjoy education due to low incomes and even none at all, so that people focus more on meeting the most crucial needs, namely food and drink.

2.2 Human Resources

Manpower is every man or woman who is in and/or will do work, both inside and outside the employment relationship in order to produce goods or services to meet the needs of the community. (Soebagyo, 2013). In terms of population as a factor of production, not all residents can act as a factor of production. Only the population in the form of labor (man power) can be considered as a factor of production. The workforce is the population of working age, which is between 15 and 64 years (Irawan & Suparmoko, 2008; Nafziger, 2012). Population growth from time to time can be both a driver and a barrier to economic development. The increasing population will increase the number of workers and this addition allows the country to increase production. In addition, the impact of education causes the skills and expertise of the population to increase. This will cause productivity to increase and then cause an increase in production that is faster than the increase in labor.

A larger number of workers means an increase in the level of production, while a larger population growth means a larger size of the domestic market. However, it is still questionable whether it is true that the rapid rate of population growth will actually have a positive or negative impact on its economic development. According to Irawan and Suparmoko (2008), labor includes people who are already or are working, are looking for

work and doing other activities, such as going to school and taking care of the household. The demand for labor is the need that has been based on the willingness to pay certain wages in return. The employer intends to use or request several employees with a willingness to pay a certain amount of wages each time (Notowidigdo, 2019). The resources used are not only human resources in the context of meeting the needs of economic growth, natural resources are also a factor in the economic growth of a region, besides that natural resources can affect inequality between regions, not all regions have wealth. abundant natural resources. The distribution of natural resources is regulated using profit sharing funds (DBH) with the central government, while regions that do not have natural resources receive special allocation funds (DAK). The purpose of this division is to reduce inequality between regions by the central government.

2.2 Natural resources

Definition of natural resources according to Soerianegara (1977) is the result of human assessment of the elements of the environment that they need, where there are 3 definitions of natural resources, namely total supply, resources and reserves. Furthermore, Soerianegara (1977) also revealed that natural resources in general are the state of the environment and raw materials used by humans to meet their needs and improve their welfare. In general, there are 2 types of natural resources. These are renewable natural resources and non-renewable natural resources. Renewable natural resources can be used continuously without fear of running out, for example, water, soil, air, sunlight, geothermal, animals and plants. While non-renewable natural resources are limited in number and can run out if used continuously.

III. Research Method

This study uses panel data from 17 districts/cities in the province of South Sumatra from 2010-2020 using the multiple linear regression method.

Regression equation model of the influence of regional inequality of human resources and natural resources

$$KP = \alpha + \beta_1 E + \beta_2 N + \dots \dots \dots (1)$$

Where: α , β_1 , and β_2 are the parameters to be estimated and ϵ is the error term for regional inequality

Information:

- α = constant
- KP = Regional inequality
- E = Human Resources
- N = Natural resources

The data used is secondary data. Secondary data is data that comes from records in other sources that have been collected by certain parties (Sekaran & Bougie, 2013).

IV. Result and Discussion

Regression measurement in this study uses panel data regression analysis, which is a combination of time series and cross section, the following table of statistical test results using panel data:

Table 1. The Influence of Human Resources and Natural Resources on Inequality

Variable	t-Statistics	Prob.
C	-7.8612	0.0000
HR	16.3083	0.0000
natural resources	9.9066	0.0000

Source: Data processed, 2021.

a. Human Resources influence Inequality

A larger number of workers means an increase in the level of production, while a larger population growth means a larger size of the domestic market. However, it is still questionable whether it is true that the rapid rate of population growth will actually have a positive or negative impact on its economic development. This research is the same as research Kusreni (2009) developed a study entitled the effect of changes in economic structure on sectoral and regional specialization and the structure of sectoral employment in East Java. Sectoral workers have a significant positive effect on inequality that occurs due to sectoral specialization.

b. Natural Resources Affect Inequality

Ownership of natural resources certainly has an impact on the economy, regions rich in natural resources will get additional regional income from the oil and gas and non-oil and gas sectors. This research is in line with the results of Agusalim's research (2016). One of the results of his research is that all macroeconomic variables including government spending, growth of human resources and natural resources have an influence on inequality that results in poverty between regions.

V. Conclusion

Variables of human resources and natural resources have an influence on inequality. Inequality between regions is caused by the mobilization of resources owned by a region. These resources include the accumulation of capital, labor, and natural resources owned. The existence of heterogeneity and various characteristics of a region causes a tendency for inequality between regions and between economic sectors of a region to occur.

References

- Agusalim, Lestari (2016). Economic Growth, Income Inequality and Decentralization in Indonesia. Performance, Volume 20, No.1, Th. 2016: Pg. 53-68.
- Fleisher, B., Li, H., & Zhao, MQ (2010). Human capital, economic growth, and regional inequality in China. Journal of Development Economics. <https://doi.org/10.1016/j.jdevec.2009.01.010>
- Harrison, A., & Rodríguez-Clare, A. (2010). Trade, foreign investment, and industrial policy for developing countries. Handbook of Development

- Economics.<https://doi.org/10.1016/B978-0-444-52944-2.00001-X>.
- Hendarmin. (2012). The Effect of Local Government Capital Expenditure and Private Investment on Economic Growth, Job Opportunities and Community Welfare in Districts/Cities of West Kalimantan Province. *Exos Journal*. Vol 4 (19-32).
- Indrawati, Y. (2012). Foreign Direct Investment and Portfolio Investment on Macroeconomic Stability in Indonesia: Global Imbalances Phenomenon. *International Economics*. 2 (4).
- Irawan, & Suparmoko. (2008). *Economic development*. Yogyakarta: BPFE UGM.
- Keynes, John Maynard. (2018). *The general theory of employment, interest, and money. The General Theory of Employment, Interest, and Money*.
<https://doi.org/10.1007/978-3-319-70344-2>.
- Kusreni, S. (2009). The Effect of Changes in Economic Structure on Sectoral and Regional Specialization and Sectoral Labor Absorption Structures in East Java. *Airlangga Journal of Economics and Business (JEBA) | Journal of Economics and Business Airlangga*.<https://doi.org/10.20473/jeba.V19I12009.4254>.
- Nafziger, E Wayne. (1997). *The Economics of Developing Countries*. (Third Edit). New Jersey.: Prentice-Hall. Inc.
- Notowidigdo, MJ (2019). The Incidence of Local Labor Demand Shocks. *Journal of Labor Economics*.<https://doi.org/10.1086/706048>
- Nursini. (2006). *The Influence of Fiscal Policy and Economic Openness on Economic Growth in Indonesia*. Dissertation, Padjadjaran University.
- Sekaran, U., & Bougie, R. (2013). *Research methods for business: In Research methods for business* (p.436).
- Sjafrizal. (2008). *Regional Economics, Theory and Application*. (Print 1). Padang: Baduose Media.
- Soebagyo, D. (2013). *Indonesian economy*. Surakarta: Faculty of Economics and Business, UMS.
- Soerianegara, I. (1977). *Natural Resources Management Part I*. Bogor: IPB Press.
- Sukwika, T. (2018). The Role of Infrastructure Development on Interregional Economic Inequality in Indonesia. *Regional and Environmental Journal*.
<https://doi.org/10.14710/jwl.6.2.115-130>
- Terra, PR (2008). The cost of capital, corporation finance and the theory of investment. *Revista de Administração e Contabilidade Da Unisinos*.
<https://doi.org/10.4013/base.20082.07>