Influence of Economic Growth to Manpower Absorption and People Welfare in Regencies/Cities in Central Kalimantan Province

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Abstract
This study is a research on influence of economic growth to the manpower absorption and people welfare in regencies / cities in Central Kalimantan Province, Indonesia. This research applies the census data, under the consideration that its population is small and its respective elements are different from each other. Therefore, this research is designed to take the samples or data from the population as a whole (census). Thus, it does not apply a certain technique of sample taking. Population used in this research covers the whole 13 regencies and 1 city available in territory of Central Kalimantan Province, namely the regencies of: *Sukamara, Lamandau, Kotawaringin Barat, Seruyan, Katingan, Kotawaringin Timur, Gunung Mas, Pulang Pisau, Murung Raya, Kapuas, Barito Utara, Barito Selatan, Barito Timur,* and the city of *Palangkaraya.* Based on the pooled data in time series (8 years) and cross section (14 regencies/city), there found to be 112 objects of research. Data are processed by using the software of *SPSS - Statistical Package for Social Sciences* of version 20 with Path Analysis instrument. Output of analysis shows as follows: *economic growth has significant influence to the manpower absorption; economic growth has significant influence to the people welfare; and manpower absorption has significant influence to the people welfare.*
Keywords: economic growth, manpower absorption, and people welfare.

1. INTRODUCTION

Development is a continuous improvement process of living condition of community, either in its social or economic aspects. The social condition improvement is mainly directed to improve the quality of education and health, whereas improvement in economic condition is directed to increase the job opportunities and income of the people. Those two aspects of development basically are closely related to each other, because social development is influenced by economic development and so is the contrary pattern. Thus, essentially a development is a continuous process of change towards the intended advancement and improvement. Efforts to achieve the advancement are taken through various ways in order to improve the community living standard, so that the development is truly the whole activities carried out to improve welfare of the people. Those overall activities cover the social, economic, political, cultural aspects and the like. In general, Output of development can be observed from the presence of social change and the economic growth.

Fisher and Clark in Chenery, and Hollis (1974) state that the change in production structure accompanying the economic growth based on data concerning the percentage of manpower working at the primary, secondary and tertiary sectors reveals that the higher the income per capita in a certain country is, the smaller the role of agricultural sector is in providing the job opportunities; and there is a close relationship between the change in production sector and the structure of sectoral job opportunities. The structural change in number of manpower is indicated by the tendency of a decrease at the amount of manpower working at the agricultural sector, meanwhile on the contrary, the amount of manpower working at the secondary and tertiary sectors undergoes the increase. Development can be viewed as a *transitional multidimensional process* reflecting the inter- relationship among various processes of change in a certain country. Such a multidimensional change is identified by process of structural transformation. The process of structural transformation is identified by the change in economic structure reflected by the change in sectoral contribution (*shift-share*) in national income. At the beginning, the economy generally is subsistent to the traditional agricultural sector as its basis. After that, it transfers into a more modern economy with the sector of processing industry and services take a function as their motor. Therefore, the role of agricultural sector decreases followed by development of the sector of manufacturing and services, so that the development strategy focuses on the effort to establish the industrialization properly. Such economic development standard must also be supported by the social indicators, such as literacy, level of education, quality of health service, sufficiency in housing need, and the like.

If it is deeply observed, the orientation and the pivoting point of development only leading to chase for the economic growth are no longer used as a model of development although the economic growth has an important role as a part of indicators or measurement of a progress or advancement of a country / region. In line with such

a thought, Sen in Pressman (2000) states that a development as a freedom to obtain wide options and available at *the human development* frame; the mankind may not be sacrificed just for the sake of all programs triggering the growth. *"Human happiness cannot be measured just by the economic growth"*. Further, it is explained that a country / region should focus on a real goal, namely development of human potential. Moreover, the success of economic development should start from the increase in the level of population free from illiteracy and the increase of life expectation rather than the growth in production or level of income.

Economic development basically focuses more on the economic growth, however sometimes the people income at a high economic growth is not always followed by the spread of welfare. The imbalanced distribution of income among sectors or groups will create the economic gap and injustice. The economic gap can cause other gaps leading to the income, therefore the development paradigm with the orientation more on growth should be changed into a *just and sustainable development*. Arsyad (2010) states that in general the economic development is defined as a process causing a real income per capita increase of the people in a country / region in a long period accompanied by an improvement in institutional system. If we study it further, such a definition has the meaning that a process is a continuous change to increase the income per capita in a long period, and also accompanied by the improvement in the system of institution in all sectors, either formally or informally.

Todaro (1994) also concludes that development is a multidimensional process covering the important changes in social structure, people attitudes and the national institutions, as well as acceleration of the economic growth, reduction of gap (inequality), and the absolute poverty elimination. Based on such definition that the economic development is a process having a relationship and a mutual influence among factors causing the occurrence of economic development, so that it can be thoroughly identified and analysed. Under this procedure, chronology of the occurring events to materialize the increase of economic activities and the welfare living standard of people can be known from one stage of development to the next stage of development. According to Djojohadikusumo (1994), an economic development is a process to enlarge the income per capita and to increase the production per capita. This measurement is commonly used to measure the living standard of people. The economic development traditionally is defined as the change of *Gross National Product* from a static condition in a long period, to establish and maintain the increase in *Gross National Income* (Todaro, 2003:18). In line with such a definition, the economic growth constitutes an indicator to evaluate the progress of economic development in various countries. This can strengthen the concept that measuring indicator on the success in economy can be observed from the government expenditure at the sectoral budgeting allocation, having the impacts to the economic growth, manpower absorption and people welfare.

Welfare becomes the goal in every activity of development conducted by government of a country and has become either domestic or global issue, because of the new paradigm of development having the orientation to human development, namely: *improving the welfare*. Development activities in general give an emphasis based on the economic development with the results in the form of economic measurements such as production and economic growth. The economic growth or the economic development from various activities of economic sectors are basically in need very much for production factor (*input variable*) in the form of capital, manpower (*labor*) and natural resources as well as the technology in the form of investment activities, either from the private sector or from government, as a process in order to produce a development product. To achieve the welfare in the form of improvement in living standard nationally or regionally, it cannot be separated from the economic condition and development of a country. The presence of economic development is expected to be able to absorb the work force which will automatically be able to increase the people income, and indirectly increase the quality of human resources that can be achieved through the improvement in education and health of the people.

The regional development as the integral part of national development is carried out based on the autonomy principle and resource arrangement providing the opportunities for improvement of regional performance to improve the people welfare. Implementation of regional government administration as a sub-system of the national government system is intended to improve the service system for community. As an autonomous region, the region has the authority and responsibility to run the people interests. To push the progress of economic growth, we need to have an economic policy and the government role in regulating the economy as an effort to maintain the economic stability, covering the macro policy, sectoral / regional policy as well as the micro policy (Tambunan, 1996). Further it is also explained that the success of development is not only measured from the level of economic growth identified by the structural change in *Gross Regional Domestic Products (GRDP)* as well as the manpower absorption structure, but shall also be measured from the success *in lifting the prestige and dignity of people higher*. Therefore, a measurement is required able to be used as a reference to measure a success of a development. Human development is one among indicators of development able to be used. *Human Development Index (HDI)* is a measurement based on three components, namely: *income per capita, education and life expecting age*. From these three components, income per capita constitutes the main component from the level of economic welfare of the people, since it constitutes a measurement for the purchasing power.

2. LITERATURE REVIEW

2.1. Economic Growth

Theory of economic growth can be traced down at least since the 18th century. According to Adam Smith in Jhingan (2000), the process of economic growth starts when the economy is able to perform the job distribution. The job distribution will increase the productivity which in turn will be able to increase the income. Adam Smith is also in the opinion that due to the spread of markets, new investments will be opened and in turn will push the spread of job distribution and economic growth. Also, according to Adam Smith, there are two main aspects of economic growth, namely the *total output growth* and *population growth* (Specher, 1990). According to the traditional neoclassical growth theory, the output growth always derives from the source of one or more of the three factors, namely: *increase in quantity an*d *quality of manpower* (through the increase of amount of population and education improvement), *capital increase* (through the saving and investment), as well as the *advancement of technology*. In order to get more improvement in fast regional economic growth, the model of open economy is more emphasized rather than the model of closed economy. It is expected that the capital flow will increase and flow down from the rich countries to the poor ones in which their *capital-manpower risks* are still low so that the returns on investment are higher (Todaro and Smith, 2006). The development theory as described above fails to explain the so complex economic development activities. Alternative approach to the development theory is defined here for the purpose of regional economic planning. This approach constitutes a synthesis and a redefinition of the existing concepts. This approach gives a basis for *the frame of thought* and the *action plan* to be taken at the context of regional economic development.

To classify the theories of economic growth and economic development in proper, precise and simple way is not an easy job. There are many things to be considered, for example the *"period"* when such a theory or *"idea"* comes up to exist. However, after observing some literatures discussing about the theory of development, the writer makes a classification as being discussed now. The theory to be discussed here is the 'Harrod-Domar Theory'. This theory of Harrod-Domar is developed by two economists after Keynes, namely R.F. Harrod and Evsey D. Domar. Domar exposed his ideas on this theory for the first time in 1947 at the journal of *American Economic Review* for 7 (seven) years after the Harrod Theory was presented as a paper at the magazine of *Economic Journal*. This theory is actually developed by those two economists separately, but due to the fact that the core of those theories are the same, nowadays they are known as "Harrod-Domar Theory".

The economic growth theory of Harrod-Domar constitutes a theory of growth based on the economic growth in advanced countries. Such a theory is a direct development of Keynes' macro economic theory constituting a short term theory which then becomes a long term theory. At the Harrod-Domar model, the investment role is very important. In a long period, investment has a double influences. In one side, an investment influences the demand for aggregate and on the other side the investment also influences capacity of national production by adding with the available capital stock.

In a process of economic development according to Schumpeter (1934), the main factor causing the economic development is the innovation process, and its executors are the innovators and the entrepreneurs. The economic progress of a community can be applied by the existence of innovation by the entrepreneurs, and such economic progress can be interpreted as the increase of the total input of community. In discussing the economic development, Schumpeter gives the concepts about the economic growth and the economic development although both of them are the sources of output increase in community. According to Schumpeter, economic growth is the increase of people output caused by the bigger amount of production factors themselves. For example, the output increase caused by the growth of capital stock without the change at the old production technology. Meanwhile the economic development is the output increase caused by innovation conducted by the entrepreneurs. This innovation means the *"technology"* improvement in large sense, for example the finding of new products, the opening of new markets, and the like. Such innovation is related to the quantitative improvement from the economic system itself deriving from the creativity of the entrepreneurs themselves.

Economic development starts from the social, political and technological environments supporting the creativity of the entrepreneurs. The presence of environment supporting the creativity will establish some pioneer entrepreneurs who try to apply new ideas in economic life. Possibly not all those pioneers will be successful in performing innovation. Those who are successful in performing such innovation will establish a *monopoly position* for the innovator. Such monopoly position will produce a profit above the normal profit received by the businessmen who do not make any innovation. This monopolistic profit becomes *the returns for innovators* and at the same time also serves as a stimuli for the candidate innovators. The intension to make innovation is motivated by expectation to obtain the monopolistic profits

2.2. Manpower

The idea or concept of *manpower* is not identical with concept of *work force*. The concept of manpower is the amount of population able to be participated into the economic process, as stated by Tan Goan Tiang in Mantra (2003). Manpower according to S. Mulyadi (2003) can be defined as population within the working ages (15 to

64 years old) or the overall total of population in a country who are able to produce the goods and services, if there is a demand for manpower, and if they are willing to participate in the said activity. Whereas the concept of *Work Force* is a part of manpower actually involved in or try to be involved in production activities, namely producing the goods and services (Kusumosuwidho, 2000). According to Mantra (2003), the term *'work force'* in Indonesia means the population at the age of 15 years up actively performing the economic activities. The work force consists of population who are working, having a permanent job but temporarily are not working, and who have no jobs but are looking for a job. The amount of work force who are working are usually considered as the amount of job opportunities available in a certain region. In demography, there are several concepts concerning with employment and manpower.

Miller & Meinners (1993) are in the opinion that the manpower demand is influenced by *the Value of Marginal Products (VMP).* This VMP constitutes the multiplication of *Marginal Physical Products (MPP)* by the price of the product concerned. MPP is the increase of total physical products deriving from the addition of one unit of variable input (manpower). By assuming that the company is operating at a perfect competitive market, the magnitude of VMP constituting the multiplication of MPP x P will equal to the price of product input concerned, namely PN. The magnitude of VMP=P is obtained from the statement that a combination of optimal input or minimal cost at the production process will occur if the *isoquan curve* becomes the *tangent* to the *isocost*. If the linear angle at the isoquan is equal to w/r, whereas the magnitude of the angle at every point in isoquan is equal to MPPL/MPPK, combination of optimal input is: w/r = MPPL/MPPK or MPPK/r = MPPL/w. Here, r is the implicit interest rate deriving from capital, whereas w is the wage rate per unit. If the above equation is extended in general, it will become: MPPX/PX = MPPY/PY.

In other words, minimization of the input cost or maximization of output on the use of input requires the use of combination in such a way, so that the MPP for each input has the same price for each input. Thus, the increase of one input unit, for example x, will enlarge the production cost at the amount of Px, and at the same time it will enlarge the product volume at the amount of MPPx. This means that ratio of Px/MPPx constitutes a level of total change of company cost for each change of its physical output definitely; meaning that it is the same with its Marginal Cost, MC. From this basis, the above equation can also be changed into:

$$MPPX/PX = MPPY/PY = MFPN/PN = 1/MC$$

Assuming that the company is operating at the perfect competitive market, the aforesaid equation can be changed into:

$$MPPX/PX = MPPY/PY = MPPN/PN = 1/MC-1/MR = 1/P$$

From the above equation we find out that:

MPPX/PX = 1/MR = 1/P, so that MPPX x P = Px for all inputs. This means that the VMP curve for manpower constitutes the curve of *'short term'* manpower demand from the company concerned operating at a perfect competitive market (with a note that quantity of all other inputs are constant). The relationship available between the input of production factors and the company output is the production relationship. With the technology remaining the same applied by the company, the total amount of manpower input and the capital is more dominantly used to produce the output (Don Bellante and Mark Jackson, 19830).

2.3.   Welfare

The economic growth is the increase of people income in a certain country from year to year due to the increase of economic ability to produce the goods and services by full manpower and a constant price. The economic growth is indicated through 2 (two) ways, namely the increase of *Gross Domestic Product (GDP)* from year to year and the increase of income per capita (Spencer, 1975).

The relationship between the economic growth and people welfare is strong. Thomas (2000) states that investment performed in physical capital, human being and nature, together with many reformations in policy, give contribution to the progress of technology and the growth of total factor productivity, so that they stimulate the growth and people welfare.

In general, the economic growth can be observed from the Gross Domestic Product that will become the income per capita if divided by the total population in a certain year. Sukirno (2006) states that the economic growth illustrates the development of the production activities of the goods and services as well as the increase in people welfare. It means that whenever there is an economic growth, it will be followed by the increase of prosperity of the people or the community welfare is getting more and more increase. Boediono (1981) declares that the theory of economic growth constitutes the explanation on the factors determining the increase in income per capita in a long term as well as how such factors interact between one and another, so that the process of development will occur.

The welfare theory studies various kinds of conditions in which the solution procedures of a *general equilibrium model* can be stated as being optimal. This requires among others, optimal allocation of production factors

among commodities and optimal allocation of commodities (namely income distribution) among consumers (Salvatore, 1993). The concept of people welfare is known as a *welfare economy* which essentially explains about allocation of production factors as well as the goods and services in an economy to the whole members of community or explaining the economic interaction wishing to look for a condition for utilization of resources efficiently. Market mechanism is convinced able to be the tool for welfare distribution through the exchange mechanism. Since it passes through an exchange, there will be a wealth exchange and or the purchase of the goods or services with the assumption that the achievement process of such balance takes place at the market isolated from other markets or the economy only consists of the economic performers (Rahardja, 1999). So, the economy is said to be efficient if the individuals in such economy (consumers and producers) have been in the balanced condition through the exchange mechanism.

Prosperity or welfare is identified by the wealth, namely the increase of consumption due to the increase of income. The income increases as the result of the increasing production. The aforesaid natural process can be accomplished if the existing assumptions of development, can be fulfilled, namely the employment opportunity or participation is fully utilized (full employment), each person has equal productivity, and each performer acts rationally (efficiently). Mubyarto (1997) declares that welfare is a condition of wealth already been evenly felt by the whole members of community. With the more successful development of social welfare, social gap will diminish, including the success inside to improve the wealth of people who still live in shortages.

Welfare economy constitutes the theoretical foundation in setting up the economic policy, focusing the attention on the alternative plan, program, institution or legislation covering the social affairs (Simarmata, 1994). The established economic policy is normative, namely talking about the selection between efficiency and equity, how is the justification of government interference with the goal to straighten the functioning of ownership distribution market (*distribution of wealth*).

Layard and Walker (1978) explain that welfare economy is related to the questions as follows: *First*, how are the production factors allocated to the products of goods and services?. *Second*, how will such products of goods and services be distributed to community? The concepts applied to answer such questions are based on the theory of *pareto efficient* and *pareto optimum*. The theory of *pareto efficient* does not explain about the spread of welfare distribution to the whole community. *Pareto efficiet* is only a concept indicating that allocation of production factor for goods and services is available at the most efficient point (Varian, 1987). In other words, in a *pareto efficient* condition, no body will be able to improve his satisfaction without causing the satisfaction of other persons decreases. Whereas the concept *of pareto optimum* describes a situation in which an evenly spread welfare distribution is achieved. Its implication is that the allocation of production, goods and service factors can achieve the most efficient point (the achieved *pareto efficient*), but its distribution condition to community is not evenly spread (*pareto optimum* has not yet been achieved). In other words, the *pareto efficient* condition has been achieved, whereas the *pareto optimum* condition has not yet been achieved. Therefore, to achieve the optimal level of welfare can be taken by creating the even distribution spread by the time when its allocation reaches the highest level of efficiency (*patero optimum).*

In connection with the optimal welfare, Sukirno (2006) states that welfare has a large meaning, not only related to *an opinion and consumption*, but also with *assets*. It means that the welfare does not merely focus on consumption of goods and services, but also on the access to the wealth and social affairs. Every person has his different view of life, goal of life and way of life, and therefore they give different values to the factors determining the level of people prosperity.

The essence of welfare is extended again by Wrihatmolo and Nugroho (2006) declaring that the change at the level of people welfare is determined by economic, social, political or legal dimensions. *First*, the change at the welfare level according to *economic dimension* is the change in controlling / possessing the economic asset, starting from the state of not controlling / possessing to be controlling/possessing more, and further until the level when human being is able to control / possess more and more of the economic assets. Economic asset is the asset able to move the economic action, such as the need to get money, the need to have a capital, and the need to work. *Second*, the change in level of welfare according to *social dimension* is the change in controlling / possessing the social assets. The social asset is the asset able to move the social actions, such as the need to get knowledge, the need to get the health, the need to get the joy. *Third,* the change in welfare level according to *political dimension* is the change in controlling / possessing the political assets. The political asset is the asset able to move the political actions, such as the need to express opinion, the need to set up political tie, the need to possess natural political right. *Fourth,* the change in level of welfare according to *law dimension* is the change in controlling/possessing the legal assets. The legal asset is the asset able to activate the legal actions, such as the need to get the legal protection, the need to have the equal rights, the need to get the just or fair treatment. In general, the measurement of welfare can be distinguished into two economic indicators and non-economic or social indicators (Todaro, 2003).

3.   Research Method

From the view point of its explanatory level, this dissertation belongs to the causal associative research, namely a research intended to know the relationship between two variables or more, constituting the causal relationship or causality, while according to the type and analysis, this research constitutes the *quantitative* and *empirical* research with the causality test, considering that this research intends to explain the causal relationship among variables through the hypothetical testing and at the same time giving the explanation. Population used in this study covers the whole 13 regencies / one city available in Central Kalimantan Province, namely the Regencies of: *Sukamara, Lamandau, Kotawaringin Barat, Seruyan, Katingan, Kotawaringin, Guniung Mas, Pulang Pisau, Murung Raya, Kapuas, Barito Utara, Barito Selatan, Barito Timur*, and the *City of Palangkaraya*.

Data applied in this study are the secondary data already been published by *BPS* (Central Bureau of Statistics), Bank Indonesia, *Bappeda* (Board of Regional Development and Planning), *Disnaker* (Autonomous Agency for Manpower Affairs of the Regency / City and also of the Central Kalimantan Province during the time series for 8 (eight) years from 2004 to 2011 for the data of Economic Growth, Manpower Absorption, and Community Welfare / Human Development Index. Based on the pooled data obtained from the time series combined data (for 8 years) and cross section (14 regencies / city), the total 112 objects of research are obtained.

Data are processed by applying the software of *SPSS (Statistical Package for Social Sciences)* of Version 20, using the *Path Analysis*. The method applied is the *Ordinary Least Square (OLS) Method*, namely the smallest square method. From this calculation, a direct influence of path coefficient will be obtained. Examination on model significance and hypothetical testing are then carried out. Coefficient significance testing on each path for the direct influence is performed similarly as that for the regression, using the *p-value* from the *t-test*, namely the variable regression coefficient testing is standardized in partial. The path identified by *'s'* sign means that the influence is meaningful or significant, in which the *p-value* is less than 0.05. It means that H_0 is rejected and H_a is accepted. If provided with 'ns' sign, it means that the influence is not significant, in which the *p-value* is bigger than 0.05, therefore H_0 is accepted and H_a is rejected.

4.   Output and Discussion

The data are processed by using the software of *SPSS (Statistical Package for Social Science)* of *Window Version 20.00* with the Path *Analysis instrument* through the menu of *Ordinary Least Square (OLS)*. The path coefficients in this research constitute hypotheses, presented in two equations as follows:

(1) Structural Equation for $Y_2 = 0.346 \, Y_1$,

(2) Structural Equation for $Y_3 = 0.353 \, Y_1 + 0.212 \, Y_2$.

OUTPUT OF HYPOTHETICAL TESTING ON EACH PATH

Independent Variable	Dependent Variable	Path Coefficient	t-Progression	Probability	Remarks
Economic Growth (Y_1)	Manpower Absorption (Y_2)	0.346	3.874	0.000	Significant
Economic Growth (Y_1)	People Welfare (Y_3)	0.353	3,919	0.000	Significant
Manpower Absorption (Y_2)	People Welfare (Y_3)	0,212	2,352	0.020	Significant

Source: *The Processed Data by SPSS 20, the year 2013.*

Based on the *result of the first hypothetical testing*, the influence of economic growth to the manpower absorption in regencies/cities in Central Kalimantan Province indicates that the *economic growth has significant influence to the manpower absorption.* The path coefficient for the estimation result has positive sign at the amount of 0.346 with the significant probability (*p-value*) at the sum of 0.000 < (smaller than) significance level (α) determined at the amount of 0.05. It means that the hypothesis stating *"the economic growth significantly influences the manpower absorption"* in regencies / city in Central Kalimantan Province is declared *'significant'*. This result shows that *the higher the economic growth is in regencies / city in Central Kalimantan Province, the higher the manpower absorption will be.*

The finding of this research supports the output of research conducted by Daud (2008) stating that the economic growth has significant influence to the manpower absorption, and also Wurarah (2011) in her study also stating that the economic growth has significant influence to the manpower absorption. This output is also in line with the study done by Sasana (2008) concluding that the economic growth has positive impact to the manpower absorbed in regencies / city in Central Kalimantan Province. *Unemployment at the region can be reduced if the regional government motivates the growth of the economic activities under the labor intensive natures by giving the incentive and administrative ease.* This study also supports the concept developed by Todaro (2000) explaining that the output growth or the national income as a result of the presence of consumption, private

investment and public investment will influence the number of manpower. So the total output has positive relationship with the level of job opportunities.

Based on the *result of the second hypothetical testing*, the influence of economic growth to the people welfare in regencies/cities in Central Kalimantan Province indicates that *the economic growth has significant influence to the people welfare*. The path coefficient for the estimation result has positive sign at the amount of 0.353 with the significant probability (*p-value*) at the sum of 0.000 < (smaller than) significance level (α) determined at the amount of 0.05. It means that the hypothesis stating *"the economic growth significantly influences the people welfare"* in regencies / city in Central Kalimantan Province is declared 'positive' and 'significant'. This condition is indicated by the improvement of health quality, high rate of literacy, and high increase in average length of schooling and high parity of purchasing power in regencies / cities in Central Kalimantan Province. The positive path coefficient from the economic growth to the people welfare in regencies / cities in Central Kalimantan Province gives the meaning *that if the economic growth increases, the people welfare will also increase. And so does the contrary, if the economic grows declines, the people welfare will also decrease.* The improvement in various economic sectors also brings impact to the increase of people income. Further, people can fulfill their needs, either in education or in health, will cause the improvement in the people welfare through the *Human Development Index*.

The finding of this research supports the output of research conducted by Brata (2004) stating that the economic development has significant influence to the people welfare as indicated by the human development. *It means that the economic development is successful in improving the social-economic development of the people.* The output of this finding is also in line with the study conducted by Huda (2007) stating that that the economic growth has positive and significant influence to the welfare. *It means that if there is an increase in economic growth, the welfare will also increase. On the contrary, if the economic growth undergoes the decline, the welfare will also decrease.*

This finding also supports the finding of Rochaida (2005) stating that the disparity of regional development has positive and significant influence to the social-economic welfare of community, having the meaning that *if the economic growth of a certain region is higher, the level of its people welfare will be better.*

Output of this study is not in line with the study conducted by Tadjoeddin et al (2001) on regional disparity and vertical conflict in Indonesia. His study concludes that the *relationship between the levels of output in a region and the people welfare is very weak.* Also, the high level of regional wealth is not significantly followed by the level of people welfare, therefore there is a failure in reflecting the regional wealth by increasing the people welfare. Theoretically, Todaro (2004:21) explains that the development must be viewed as a multidimensional process covering various basic changes on social structure, community and institutional attitudes, in addition to remain chasing for acceleration in economic growth, deduction in uneven distribution spread, and abolishment of poverty. Also, theoretically Van Den Berg (2001) explains that economically the indicators of a success of development are always related to the national and regional incomes, increase in income per capita and purchasing power party, enlargement of job opportunities, and the decrease of poverty economically.

Based on the *result of the third hypothetical testing*, the influence of manpower absorption to the people welfare in regencies/cities in Central Kalimantan Province indicates that the *manpower absorption has significant influence to the people welfare*. The path coefficient for the estimation result has positive sign at the amount of 0.212 with the significant probability (*p-value*) at the sum of 0.020 < (smaller than) significance level (α) determined at the amount of 0.05. It means that the fifth hypothesis stating *"the manpower absorption significantly influences the people welfare"* in regencies / city in Central Kalimantan Province is declared 'positive' and 'significant'. The increase of manpower absorption in each regency / city and of the period of manpower absorption is always followed by the increase in people welfare. This gives a meaning that the more number of manpower are absorbed, such workers will obtain the additional income which then is allocated to meet the educational and health needs. *The increasing income of community conceptually will give opportunity for the people to improve their life quality through the fulfillment of their basic needs and other supporting needs.*

Such finding is supported by the empirical evidence in which the job opportunity for the period from 2004 until 2011 in each regency / city in Central Kalimantan Province tends to undergo the continuous increase as shown in Table-5.7. At the same period of time, the Human Development Index also undergoes a continuous increase as shown in Table-5.8. Observing this fact, the increasing job opportunities will give impact to the people welfare in regency / city in Central Kalimantan Province.

This finding supports the study conducted by Rochaida (2005) stating that the structure of manpower absorption has significant influence to the social-economic welfare of the people, in which the more the manpower absorption increases, the more income increases as well, so that the people are able to meet their living needs.

The finding of this study stating that the manpower absorption influences the people welfare supports the finding made by Todaro (2000) declaring that the job opportunity for population provides the income to meet the needs and to improve the welfare. The theory of Keynes quoted by Deliarnov (2005) emphasizes *that if the level of*

wages increase, the level of people income will tend to increase too. If the people income increases, the purchasing power of community will increase, consumption increases and prices will also increases. The available manpower will be absorbed, so that it will motivate the income earning and finally will improve the people welfare.

5. CONCLUSION AND SUGGESTION

Conclusion:

The economic growth has significant influence to the manpower absorption. This means that the economic growth will increase the manpower absorption, because the economic growth as the real change in Gross Regional Domestic Product every year, from production point of view in economic process, will result the manpower gets wages and salaries, and other economic activities obtain the surplus in undertaking. Such changes as the result of economic activities producing the outputs, provide the result that its economic growth is always followed by bigger and bigger manpower absorption. Economic growth has significant influence to the people welfare. The increase in economic growth will stimulate the increase in people welfare. This indicates the acceleration in more successful economic growth and reliable to be successful in giving opportunity and improving the social economy of the people. The regional development approach with orientation to the economic growth is still deemed relevant to be applied in increasing the people welfare in regencies / cities in Central Kalimantan Province. Manpower absorption significantly influences the welfare. It means that it increases the number of manpower involved in economic activities that will give income addition to the people, so that influencing the component of people welfare (Human Development Index), namely the more increasing dimensional index of income. The significance of manpower absorption to the welfare gives an indication that *the increase of manpower absorption is always followed by the increase of the people welfare. It means that the manpower absorption will give the income addition to community, so that the people will be able to meet the needs for education, health and so the level of welfare will undergo the increase.*

Suggestions:

The government of regencies / cities in Central Kalimantan Province should direct the development strategy with *the characteristics of the developing region* by increasing the investment in order to increase the Gross Regional Domestic Products. The development strategy of regency / city with *the primary regional characteristics* is to increase and enlarge investment to serve the high demands from regional growth in progress. The development strategy of regency / city with the *potential regional characteristics* is to enlarge investment in the said regency / city. The development of regency / city with the *under-developed regional characteristics* is to carry out diversification on the outputs of production in order to establish new area for the market of products from the said regency / city.

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