

# The Effect of Minimum Wages, Inflation Rate, Human Resources Quality, Economic Growth Toward Productivity of Labor Force and Its Implication to Education Unemployment Rate in South Sulawesi- Indonesia

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**The Effect of Minimum Wages, Inflation Rate, Human Resources Quality, Economic Growth Toward Productivity of Labor Force and Its Implication to Education Unemployment Rate in South Sulawesi-Indonesia**

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Fattah SANUSI  
Department of Economic, Faculty of Economic and Business  
University of Hasanuddin, Makassar, Indonesia  
[sanusi.unhas.jp@gmail.com](mailto:sanusi.unhas.jp@gmail.com)

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**Abstract**

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A study carried out in order to know the effect of directly or indirectly between the minimum wage, inflation, human resources and economic growth of the productivity of labor and educated unemployment rate is implemented in the province of South Sulawesi in September-November 2014. Data collection method used is library research is research through several books, literature or scientific explanations to obtain underlying theories in analyzing the data obtained from the study site. Search data is done by using the documentation by way of recording data reports that have been published and literature. For estimation models used in this study is a model of simultaneous equations using path analysis (Path Analysis) to see the effects of direct and indirect effects of the minimum wage, inflation, human resources and economic growth on work productivity and unemployment rate of educated using WarpPLS. Analysis result concluded that the minimum wage, inflation rate and quality of human resources (HR) effect on the rate of educated unemployment in the province of South Sulawesi, either directly or indirectly through labor productivity. While economic growth variables did not provide significant direct effect on the unemployment rate of educated, but the indirect effect through productivity.

**Keywords:** path; unemployment rate; work productivity; human resources; inflation; minimum wages; economic growth

**JEL Classification:** B4; J3; J6; J8; R1

**Introduction**

Unemployment is one of the problems facing all countries in the world as a result of the gap between the numbers of working age population entering the labor force with the availability of jobs. Unemployment educated workforce is highly educated upper middle (SMA, Diploma and Degree) and does not work (Tobing 2004). The unemployment rate of educated (Educated Unemployment rate) is the ratio of the number of job seekers to the top high school education (as a well-educated group) to the size of the labor force in that group (BPS 2009). Every year colleges produce graduates whose numbers continue to rise. Moreover, some economists predict unemployment in developing countries are generally dominated by youth unemployment and educated unemployment (Todaro 2004).

The unemployment rate relatively young group with an unemployment rate higher than the population caused by several factors: First, the structural factors. These factors consist of lack of skills of young groups in the appeal of a more mature, inaccuracies or geographical constraints and the scarcity of information that hamper the labor market, and the age factor when leaving school, usually leave school at an earlier age to experience higher levels of unemployment. Second, the factors of non-structural consists of the increase in worker wages that encourage employers to terminate the employment relationship or do not accept the new employees, increased participation of women, including those who are married to the labor force, perceptions of youth against the available jobs among others, about the level of wages low, as well as perceptions of career and work environment. The rising trend in unemployment of educated labor is due to that the higher the education the higher the aspiration to get a position or employment is more appropriate (Sutomo *et al.* 1999).

In 2012, South Sulawesi province has a labor force of 3.6 million. Amounting to 94.13% of the working

population and the remaining 5.87% is unemployed. The unemployment rate in South Sulawesi province has decreased from year to year. Most people who are unemployed are not the poor, even from families who are very capable. Poor people tend to sustain life with work of any kind, although only by working odd jobs because basically they needed food. Based on the statement, in terms of education, most of which turned out to be 53.08% of the unemployed in South Sulawesi province has a high school education / vocational upwards. While nearly half of which is 47.91% of the people who work have an elementary education down in the province of South Sulawesi.

Education has always been a strategic place in developing human resources as a form of development agenda and the future establishment of a country. A good education will produce a professional workforce that can meet the needs of a country's workforce. Unemployment is often associated with level of education. The higher a person's education, the greater the chances of getting a decent job. This means that if the quality of human resources the higher the employment also increased, thereby reducing the rate of educated unemployment. This is consistent with what previous research, which says that by improving the quality of human resources it will reduce the level of unemployment of educated, because the quality of the resources owned by university graduates with the skills, knowledge and technology that they have the employment opportunities for the educated unemployed is huge absorbed in major industries (Cahyani 2014).

The level of wages of all workers is always different. A key to the difference in wage levels lies in the very different qualities among the workforce. The cause of the most influential are graduates of education, training and experience of someone who is different in each person's ability and contribution to the revenue it receives. The higher the quality of a person, the greater the contribution to the company, so the wages are also getting bigger. Besides differences in areas or regions became the cause of differences in wage levels. Region that has a high-income area that would create income effects for the workforce because of a growing company in the area.

Another factor that can contribute <sup>3</sup> the unemployment rate is inflation. Inflation has two sides of the same coin. According to Philips curve, there is a negative relationship between the unemployment rate and the inflation rate. This means that the higher the unemployment rate results in the lower rate of increase in wages, in the sense that the rate of inflation pressure. On the other hand, the high inflation rate but can worsen the purchasing power of people can also increase the cost of production. The increase in production costs will have an impact on the reduction of labor which resulted in an increase in the number of unemployed.

Aside from inflation and human resources, economic growth also affects the level of educated unemployment. Economic growth reflects the state of the economy in a region. The economic situation will affect the growth and condition of the company that operates the relevant area. The higher the economy in a region, the higher the growth opportunities for the company and the creation of employment opportunities for the people of the concerned area. Economic growth also shows the extent to which economic activity can generate additional income or welfare of society at a certain period. Besides economic growth through increased GDP is expected to absorb the labor force in the region, due to the increase in the GDP is likely to increase production capacity.

In connection with this problem, the objectives determine the effect, directly or indirectly between the minimum wage, inflation, human resources and economic growth on labor productivity and the rate of educated unemployment in the province of South Sulawesi, either directly or indirectly through labor productivity. Originality of this study show as: This study was never examined the mediating effect influence labor productivity of the minimum wage, inflation, human resources and economic growth of the education level of unemployment, we examine the results of Cahyani (2012) about the unemployment of educated, Zulhanafi (2013) on productivity and unemployment, Sari <sup>8</sup> (2011) on economic growth, educated unemployment. No similar studies that tested the model <sup>1</sup> designated in the same location (in Sulawesi). It became the location of originality in this study and there are no previous studies that examined the effect of mediation in labor productivity in the influence of the quality of human resources to the education level of unemployment, especially in Sulawesi.

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### Conclusions and Recommendations

Based on the problems, objectives and discussion presented earlier, then from this study can be concluded that the minimum wage, inflation rate and quality of human resources (HR) effect on the rate of educated unemployment in the province of South Sulawesi, either directly or indirectly through labor productivity, While economic growth variables did not provide significant direct effect on the unemployment rate of educated, but the indirect effect through productivity.

Based on the conclusions, it is recommended: to reduce the level of educated unemployment, the government should further enhance employment opportunities for educated unemployed and improve the quality or the quality of education that is based on skill and technology in the face of the job market. For further research on the problem of educated unemployment is advisable to conduct further studies to include other independent variables.

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