

Determinants of the Level of Urbanization and Its Effect on Job Opportunities in the City of Makassar

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Abstract — This study aims to determine how much effect government expenditure, cost of living index and poverty index relative to employment opportunities through the level of urbanization in the city of Makassar, Indonesia. The data used is secondary data obtained from the Statistical Centre Board in the period of 2000-2019 or 20 years. The analytical method used is the simultaneous equation estimation method. The results showed that the government expenditure variable had a positive and significant effect on the level of urbanization, but the level of urbanization had no effect on employment opportunities. So overall government expenditure does not indirectly affect employment opportunities through the level of urbanization. The cost of living index does not indirectly affect employment opportunities through the level of urbanization. The relative poverty index does not indirectly affect employment opportunities through the level of urbanization. Of the 3 variables as a determinant of the level of urbanization, it turns out that only one variable has a significant effect on the level of urbanization, namely the government expenditure variable.

Keywords— employment opportunities, urbanization rates, government expenditure, cost of living index, relative poverty index.

I. INTRODUCTION

As a developing country, Indonesia is faced with various problems, such as unemployment, poverty, low income levels and so on. Even though the population growth in Indonesia is increasing from year to year, this has caused various new problems such as uneven population growth, poverty, and the increasing unemployment rate. In addition, the rampant development in big cities in Indonesia can spur economic growth. As a result, these cities will become magnets for residents to come looking for work and housing. This is often referred to as urbanization. However, this urbanization creates various problems because there is no control in it. This problem currently facing the Indonesian state is the high population concentration growth. Worse still, this has not been followed at a pace comparable to the development of industrialization. This problem eventually creates a phenomenon, namely excessive urbanization (Sukirno, 2012).

From an economic perspective, population redistribution means providing labor and skills both for expanding production in the regions and for the creation of new jobs. In addition, there will be economic integration and economic growth, both national and regional. In terms of ideology, population redistribution serves to increase awareness of the nation and state. From a political aspect, this is a means of supporting ethnic assimilation, narrowing class and regional disparities, and can improve inter-group relations (Agusta, 2013). As is the case with Makassar City, which is located in South Sulawesi Province, where Makassar City is the fourth largest city in Indonesia and the largest in Eastern Indonesia, which has an area of 175.79 km² with a population in 2019 of more than 1,500,000 people. Makassar City has succeeded in becoming a magnet for people who want to urbanize due to various aspects that are the goals of urbanization actors, such as economic development in the city of Makassar which continues to develop. Makassar City is also inseparable from the process of economic development which continues and is improved from year to year, and we know that Makassar City is also the capital city in South Sulawesi Province which has a population density that continues to increase from year to year. This is due to the difficulty in preventing the flow of an economy that is growing and experiencing growth that can be said to be good.

Judging from the various phenomena and facts that have occurred in the city of Makassar for several years regarding urbanization carried out by various people from one area to another, the authors want to see whether government expenditure, the cost of living index and the relative poverty index have an indirect effect on job opportunities through levels of urbanization in the city of Makassar, Indonesia during 2000-2019.

II. LITERATURE REVIEW

Manpower activities are implemented through coaching that requires the ability, expertise and skills of workers to use them. The implementation of this guidance is carried out in stages, continuity and in relation to the aim of increasing loyalty and obedience; produce an efficient and effective workforce, improve quality, skills and foster morale and spirit and morale of workers, create a

conducive working climate, provide provision for the distribution of labor (Sastrohadiwiryo, 2003). Based on population census data, the number of working people is usually seen as the number of job opportunities available. This means that job opportunities are not job opportunities that are still open, although this last component will increase the existing job opportunities in the future. Classics such as Adam Smith, David Ricardo and Thomas Robert Malthus argue that there is always a race between the level of output development and the level of population development which is ultimately won by population development. Because the population also functions as a workforce, there will be difficulties in providing employment opportunities. If the population can find work, this will improve the welfare of the nation. But if they do not get a job, it means they will be unemployed, and it will actually reduce the standard of living of their nation to be lower (Jhingan, 2014).

According to Alan Garnier (1984), he argues that urbanization is a way (movement) from a rural mentality to a city mentality, and urbanization is also a development process and the concentration of built spaces. Urbanization is characterized by the movement of population migration from a small rural location to a large urban location, and is something that involves the level of the urban population of a society to its total population (Soetomo, 2009). Government expenditure is part of fiscal policy, which is a government action to regulate the running of the economy by determining the amount of government revenue and expenditure each year, which is reflected in the National State Budget (APBN) document and the Regional Budget (APBD) for the regions. or regional. The purpose of this fiscal policy is to stabilize prices, the level of output, and job opportunities and to spur or encourage economic growth (Sukirno, 2013).

The theoretical basis behind the cost of living index is attributed to the Russian economist A. A. Konüs. This theory assumes that consumers are optimizers and get as much utility as possible from the money they have to spend. The cost of living index can be calculated using the consumer price index indicator. The Consumer Price Index (CPI) or better known as the Consumer Price Index (CPI) is an index number that measures the prices of goods and services that consumers or households always use. And usually also used to measure the rate of inflation. (Sukirno, 2012).

Poverty is the inequality of opportunity to accumulate a social power base, which includes: assets (land, housing, equipment, health), financial resources (adequate

income and credit), socio-political organizations that can be used to achieve common interests, social networks to get a job, goods or services, adequate knowledge and skills, and useful information to advance their lives (Friedman, 1992).

Relationship between government expenditure and the level of urbanization

The relationship between government spending and the level of urbanization can be seen in the Tiebout model, also known as Tiebout sorting, Tiebout migration, or the Tiebout hypothesis, is a positive political theory model first described by economist Charles Tiebout in his article "A Pure Theory of Local Expenditures". (1956). The essence of this model is that there is actually a non-political solution to the free rider problem in local government. In particular, competition between local jurisdictions places competitive pressure on the provision of local public goods in such a way that the local government is able to provide an optimal level of public goods.

The Tiebout model relies on a set of basic assumptions. The main assumptions are that consumers are free to choose their communities, can move freely (at no cost) across cities, have perfect information, and there is equal financing for public goods. This basically means that they can move from one community to another at no cost, and that they know everything they need to know about the services provided by local governments and the tax rates of all local governments. Furthermore, the model requires that there are enough cities so that individuals can sort themselves into groups with similar preferences for public goods. For this reason, the Tiebout model has proven to be most accurate in suburban areas with many different independent communities. Movement between communities in these areas tends to have the lowest costs, and the options available are varied. In rural flood-affected areas, the Tiebout sort explains why wealthier residents live in communities protected by river embankments, while poorer residents tend to live without expensive and rarely used shelters. Finally, the model also assumes that there are no externalities or spillovers of public goods across the city.

The Relationship between Cost of Living Index and Urbanization Rate

The high cost of living in an area will make someone think about moving to that area. A person will choose to stay in his area if the cost of living is lower. Besides that, urbanization can encourage increased household consumption. Urbanization encourages an increase in the income of rural people who move to cities. The high

level of wages in the city compared to the village is also followed by a changing pattern of public consumption. If people in rural areas, for example, only spend one to two million per month on consumption, then life in the city offers consumption levels up to more than double. The high price of goods and the urban lifestyle that tends to be consumptive will ultimately increase the level of household consumption.

The Relationship between the Relative Poverty Index and the Level of Urbanization

The high poverty rate in an area will make someone think about moving to that area. This indicates that the area is not suitable for living because there are still many poor people in the area who will not have a positive impact on someone who wants to live in the area. Besides that, urbanization can also be said to be a cause of poverty because urban urbanization will cause new problems if the Regional Government is not able to manage the impact of the displacement. Along with the increasing number of urbanization, it is necessary to develop adequate areas and fulfill their needs. The increasing number of population in the city if it is not followed by an increase in the level of people's living standards will actually cause new problems in urban areas. An increase in the number of the workforce that is not accompanied by an increase in employment opportunities and an increase in the quality of the workforce will increase high competition and increase the number of poverty.

The Relationship between the Level of Urbanization and Job Opportunities

In the economic development literature, the movement of people from villages to cities is seen as a blessing, because the surplus of labor in rural areas is slowly being withdrawn to meet the needs of labor in urban areas along with the development of the industrial sector (Todaro, 1983). This process is considered to be socially beneficial, because the labor force is moved from locations where their marginal product is virtually zero, to places where the marginal product is not only positive, but also develops faster as a result of capital accumulation and technological progress. Arthur Lewis (in Todaro, 1983) developed a model/theory that supports that rural-urban migration is a blessing. In his theory Lewis states that the economy consists of two sectors. First, the traditional rural substitution sector. This sector is characterized by very low or zero productivity. Second, the modern urban industrial sector with high productivity. These two different things resulted in the flow of labor from rural areas to urban areas. The process of modern sector growth and expansion of employment opportunities will continue

until all surplus labor in rural areas is absorbed by the modern economic sector in urban areas.

III. METHODOLOGY

The type of research that will be used is descriptive quantitative research. Whereas the research location was conducted at the South Sulawesi Statistical Centre Board Office. The data used in this study are secondary data in the form of time series data from 2000-2019 regarding government expenditure, the cost of living index, relative poverty index, the level of urbanization and employment opportunities in the city of Makassar obtained from related institutions and publications.

The analysis technique used is Structural Equation Modeling (SEM) with the help of AMOS software. The determination of the estimation technique is based on the size of the sample used, so the estimation technique uses the maximum likelihood estimation method. The estimation technique is intended to see the suitability of the model and the built causality relationship.

Analysis model:

$$Y_1 = F(X_1, X_2, X_3)$$

$$Y_2 = F(Y_1)$$

If the above equation is included in the regression analysis, the equation will form as follows:

$$e^{Y_1} = X_1^{\alpha_1} e^{\alpha_0 + \alpha_2 X_2 + \alpha_3 X_3 + \mu_1}$$

$$e^{Y_2} = e^{\beta_0 + \beta_1 Y_1 + \mu_2}$$

$$Y_1 = \alpha_0 + \alpha_1 \ln X_1 + \alpha_2 X_2 + \alpha_3 X_3 + \mu_1$$

$$Y_2 = \beta_0 + \beta_1 Y_1 + \mu_2$$

To analyze the indirect effect of government expenditure, the cost of living index and the poverty index relative to employment opportunities through the level of urbanization, the above equation is substituted into the following equation:

$$Y_2 = \beta_0 + \beta_1 [\alpha_0 + \alpha_1 \ln X_1 + \alpha_2 X_2 + \alpha_3 X_3 + \mu_1] + \mu_2$$

$$Y_2 = (\beta_0 + \beta_1 \alpha_0) + \beta_1 \alpha_1 \ln X_1 + \beta_1 \alpha_2 X_2 + \beta_1 \alpha_3 X_3 + (\beta_1 \mu_1 + \mu_2)$$

Where:

- Y2 = Employment
- Y1 = Level of Urbanization
- X1 = Government Expenditure
- X2 = Cost of Living Index
- X3 = Relative Poverty Index

IV. RESULTS AND DISCUSSIONS

Data processing in this study using the Amos software (Analysis of Moment Structure). In accordance with the estimate value, the results can be seen that show a direct

and indirect relationship between the independent variable and the dependent variable. The results of the estimated data processed in this study can be seen from the following table:

Table 1: Estimation Result of Weight Regression

Effect Between Variables	Direct Effects	T-Statistics	Probability	Indirect Effects	Total Effects
Y1 <--- X1	2,271	3.055	,002	--	2,271
Y1 <--- X2	,013	,416	,677	--	,013
Y1 <--- X3	-5,132	-,333	,739	--	-5,132
Y2 <--- Y1	,255	1.062	,288	--	,255
Y2 <--- X1	--	--	--	,578	,578
Y2 <--- X2	--	--	--	,003	,003
Y2 <--- X3	--	--	--	-1,307	-1,307

Source: Model Estimation Results with Amos Information: Significant Shows the Probability Value < 0.05

Based on table 1, the distribution of path coefficient values that describe the path of direct effect, indirect effect and total effect between variables, the effect relationship can be described as follows:

a. Indirect Effect of Government Expenditures (X1) on Job Opportunities (Y2) Through the Level of Urbanization (Y1)

The indirect effect of government expenditure on employment through the level of urbanization shows an insignificant effect as a whole. Although government expenditure has a positive and significant effect on the level of urbanization with a coefficient value of 2.271, which means that every 1% increase in government expenditure will increase the rate of urbanization by 2.271%. However, the rate of urbanization has no effect on job opportunities. Thus, any increase in government expenditure will increase the rate of urbanization. But the size of the level of urbanization will not affect employment opportunities.

The success of government expenditure in creating good infrastructure and infrastructure is able to attract people who are outside the city of Makassar. However, the increasing level of urbanization does not affect employment opportunities in the city of Makassar. This is because those who do urbanization are not people who want to invest or open a business so that it does not have a significant impact on job opportunities in the city of Makassar.

b. Indirect Effect of the Cost of Living Index (X2) on Job Opportunities (Y2) through the Level of Urbanization (Y1)

The indirect effect of the cost of living index on employment opportunities through the level of

urbanization shows an insignificant effect as a whole. This result is obtained from the insignificant effect of the cost of living index on the level of urbanization and then ends in an insignificant relationship between the level of urbanization and employment opportunities. Thus the size of the cost of living index value will not affect the level of urbanization, as well as the size of the level of urbanization will not affect employment opportunities. This indicates that changes in the cost of living in the city of Makassar will not affect people from outside the city of Makassar to continue to enter the city of Makassar. This is because the city of Makassar is a metropolitan city that has good infrastructure and continues to develop so that it attracts people in the area to enter Makassar city despite the high cost of living. This can also be seen from the realization of Makassar city government expenditure which has increased every year, which indicates that development in the city of Makassar continues to experience development every year which is an attraction for migrants to enter the city of Makassar.

c. Indirect Effect of Relative Poverty Index (X3) on Job Opportunities (Y2) through the Level of Urbanization (Y1)

The indirect effect of the poverty index relative to employment opportunities through the level of urbanization shows an insignificant effect as a whole. This is obtained from the insignificant effect between the poverty index relative to the level of urbanization and then ends in an insignificant relationship between the level of urbanization and employment opportunities. Thus the size of the relative poverty index value will not affect the level of urbanization, as well as the size of the level of urbanization will not affect employment opportunities.

This indicates that people who urbanize to the city of Makassar do not affect the poverty rate in the city of Makassar. This is because those who do urbanization are not people who want to invest or open a business so that it does not have a significant impact on job opportunities which automatically cannot reduce poverty.

V. CONCLUSION

Government expenditure does not indirectly affect employment opportunities through the level of urbanization. Where government expenditure has a positive and significant effect on the level of urbanization, but the size of the level of urbanization has no effect on job opportunities. The cost of living index does not indirectly affect employment opportunities through the level of urbanization. Where the size of the cost of living index does not affect the level of urbanization, as well as the size of the level of urbanization has no effect on job opportunities.

The relative poverty index does not indirectly affect employment opportunities through the level of urbanization. Where the size of the relative poverty index has no effect on the level of urbanization, as well as the size of the level of urbanization has no effect on employment opportunities. Of the 3 variables as a determinant of the level of urbanization, it turns out that only one variable has a significant effect on the level of urbanization, namely the government expenditure variable.

VI. RECOMENDATION

1. It is hoped that the Makassar City government in allocating government spending will not only prioritize the development of sectors that can spur economic growth but also sectors that are able to attract investors so as to create greater job opportunities.
2. The Provincial Governments of South Sulawesi and Makassar City need to pay attention to issues related to poverty reduction by increasing community productivity through investment and allocating government spending to sectors that create greater employment opportunities.
3. The government must re-evaluate the policies that have been implemented so far, in which the direction of the economic policies applied should not only be oriented towards growth, but also oriented towards equity and employment. So that the economic growth created is directly proportional to the absorption of the existing workforce.

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