

*Economic Growth: Welfare of Non-Civil Servant Families*

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**Abstract**

*This research intended to analyze the economic growth and family welfare. The implications on economic growth and welfare in this framework, it is driven by economic growth. This research was conducted in Surabaya which covered 105 supervisors as respondent. This research by utilizing Regression, the technique was processed with SPSS 20 to analyze hypothesis. The intercorrelations models between these variables in this study revealed that the hypothesis have significant correlation. The result of this research were empirical date of the development of the theoretical of economic science.*

**Key words:** *Economic growth, welfare*

**INTRODUCTION**

**Background of the Problem**

Relatively high economic growth has not been able to resolve other development issues, such as social welfare, unemployment, poverty, and the welfare of heads of households. This explanation differs significantly from Todaro's theory of the meaning of development. Todaro (2004:21) defines development not merely as high economic growth and the success of a region, but as a multidimensional process encompassing fundamental changes in social structures, namely fundamental changes in attitudes or behaviors of society and institutions, accelerated economic growth, reduced inequality, and the implementation of poverty alleviation programs. Therefore, development is not merely the pursuit of economic growth. Rather, it involves a process of reducing inequality/disparities, followed by poverty alleviation. Tarmidi (1982) states that the broader goals of development aim to achieve rapid economic growth, eradicate poverty, equalize incomes, create employment opportunities, improve education and health services, and free individuals and nations from slavery and dependency (Nersiwad & Hartono, 2021).

Theoretically, economic growth is influenced by several primary factors, the choice and combination of which depend on the paradigm used by each expert. For example, Meade, as cited in Tarmidi (1982), states that the primary factors for increasing production are capital, labor, land, and technology. Furthermore, other factors, such as entrepreneurship, can be added to these factors. Empirically, these factors are strategic factors that serve as the primary driving force in the economic growth process.

Economic development must be able to increase economic growth and absorb more labor. Economic growth, characterized by rising per capita income, indicates increased purchasing power (Hartono, Krisdiana, Cuk Jaka Purwanggono, Samuel PD Anantadjaya, 2022), which in turn increases effective demand for goods and services, resulting in

improved public welfare, especially among non-civil servant households.

Based on this description, the author is interested in conducting a study entitled "The Effect of Economic Growth on the Welfare of Non-Civil Servant Heads of Households in Surabaya."

### **Problem Formulation**

Based on the facts and phenomena revealed in the background of the problem, it is shown that "Does Economic Growth Affect the Welfare of Non-Civil Servant Heads of Households in Surabaya"?

### **Research Contribution**

1. For local governments, the results of this study can be used as knowledge that economic growth is an important factor in improving community welfare, especially for Non-Civil Servant Households in Surabaya.
2. As a consideration for local governments, improving community welfare can be achieved by eradicating illiteracy, increasing the average length of schooling, which represents the education factor, and life expectancy, which represents the health factor.

### **Research Outputs**

This research will be outputted in the form of a draft article in the Economics Journal of the Faculty of Economics, Unipa Surabaya, with an ISSN or an accredited national journal in the field of management or other economics.

## **LITERATURE REVIEW**

### **Theoretical Basis**

#### **Growth Theory**

Classical growth theory explains the factors of production that lead to economic growth. The thinkers of classical growth theory are Adam Smith and David Ricardo. According to Smith, the most determining factors in a country's economic growth are capital stock and natural resources. If natural resources are available, then capital stock becomes the primary factor in driving a country's economic growth. Smith, however, ignored the role of human resources, because, according to Smith, labor productivity can be increased through the "division of labor" method (Arsyad, 1999, pp. 55-56).

Different with Smith, Ricardo emphasized the importance of labor as a factor of production. Given that population growth increases the labor force, while remaining infrastructure constant, an increase in the industrial and service sectors will reduce output. In other words, Ricardo argued that limited land area leads to a decrease in marginal product, known as the "law of diminishing marginal product" (Hagen, 1980: 75-76).

Keynesian growth theory assumes that the factors influencing economic growth are the amount of savings and investment generated by an economy, or, in other words, the capital output ratio (COR). Based on this concept, the implications of the Keynesian economic growth model in the context of economic development policy are that to achieve

high economic growth, government policy must focus on increasing public savings and encouraging the use of high technology in order to lower the capital output ratio (COR). (Meier, 1970: 688-689).

Different with the growth theories previously described, this modern growth theory has expanded the variables influencing economic growth. Essentially, this model states that the difference between developed and developing countries lies solely in the degree of modernization. Commonly used measures of modernization include production equipment, capital assistance, and knowledge transfer, enabling developing countries to reach the industrial stage as quickly as possible. Therefore, modern growth theory explains more about the differences in the degree of development between sectors (traditional sector and modern sector), such as those pioneered by Lewis (1965), Fei and Ranis (1964) with the Dualism theory, as well as theories that explain strategies to achieve economic growth, for example those pioneered by Nurkse (1964) with the Balanced Growth theory, Hirschman (1958) with the Unbalanced Growth theory, Rostow (1960) with the Stages of Growth theory, Rosenstein and Rodan (1970), Perroux (1957) with the Growth Centers theory and Myrdal (1957) with the Cause and Effect theory.

### **Employment Opportunities and Job Markets**

In general, the growth rate of employment opportunities is correlated with economic growth. This means that the higher the economic growth rate, the higher the growth rate of employment opportunities (Simanjuntak, 1985:21). The relationship between economic growth and employment opportunities can be explained through employment elasticity. A higher employment elasticity indicates that the rate of economic growth is able to create more or broader employment opportunities.

The definition of employment is the field of activity of a business, company, or agency, which, according to the Central Statistics Agency (BPS) (1987:3), is classified as follows:

1. Agriculture, plantations, forestry, livestock, and fisheries
2. Mining and quarrying
3. Manufacturing industry
4. Electricity, gas, and drinking water
5. Construction
6. Wholesale, retail, restaurants, and hotels
7. Transportation, communications, and warehousing
8. Finance, insurance, building and land rentals, and business services
9. Community, social, and personal services

Development policies in Indonesia must be oriented towards creating employment and business opportunities. Soeroto (1986:98-111) formulated this into four types of policies:

1. General employment policies, which aim to encourage the expansion of employment opportunities or create a favorable climate for business development, leading to the creation and expansion of employment opportunities.

2. Sectoral employment policies, implemented through sectoral development, whether within the framework of national, regional, or village development.
3. Special employment policies, intended as programs and steps within policies specifically planned to expand employment opportunities and the utilization of labor and to reduce unemployment that arises from seasonal changes, natural disasters, or widespread pest infestations.
4. Regional development policies essentially function to expand employment opportunities when viewed from the perspective of the internal development of each region and the relationships between regions. Essentially, every development project undertaken within a region, and employment policies always have regional implications, and their implementation must be a component of regional development.

### **Welfare**

In economic theory, the concept of social welfare is known as welfare economics, which essentially explains the allocation of production factors, goods, and services within an economy to all citizens. Layard and Walter (1978:3-4) explain that welfare economics is related to the following questions:

1. How are production factors allocated to goods and services?
2. How are these goods and services distributed throughout society?
3. The concepts used to answer these questions are essentially based on the theories of Pareto Efficiency and Pareto Optimum.
4. The Pareto Efficient theory does not explain the equitable distribution of welfare throughout society. Pareto Efficiency is a concept that shows that the allocation of production factors and goods and services is at the most efficient point (Varian, 1987:543).

Based on this, the measure of community welfare used as a measure of development outcomes in this study is the Human Development Index (HDI), considering that this index is a composite of several indices reflecting the level of community welfare in the areas of health, education, and purchasing power (Purchasing Power Parity/PPP). Thus, it can reflect the true level of community welfare.

### **The Head of Household's Well-Being Theory**

Well-being encompasses three elements: a sense of sufficiency, a sense of justice and honesty, and inner peace. A household is prosperous when all family members have created an atmosphere of sufficiency combined with honesty, resulting in a sense of inner peace (Soebroto, Thomas, 1992).

Household economic management encompasses all activities carried out by all family members, utilizing resources—money, assets, skills, and knowledge—that the family possesses, even in limited quantities, to achieve a sense of sufficiency. They will be even more grateful to achieve a higher standard of living. The limited resources available to households when faced with various needs, such as children's education, family health, and

other social interactions, make household economic management crucial.

Household members consist of a father, mother, and children, each with their own role. Households must meet societal expectations for a humane modern lifestyle. If the household itself receives insufficient support and is experiencing transition, change, and pressure from factors such as mobility, economic hardship, and so on, it will struggle to fulfill its roles.

### **Previous Research**

Fadhila (2012) examined the relationship between economic growth and public welfare. The relationship between economic growth and public welfare is that if economic growth is good, people's income levels will also increase. Furthermore, this increase in income will enable people to better meet their living needs. This indicates that welfare, in the form of public income, is starting to increase. If public income increases and unemployment decreases, crime will automatically decrease and improve. Demonstrations due to dissatisfaction with existing policies will also decrease if they enjoy the results of their work commensurate with the income they receive.

Annisa (2013) examined the relationship between economic growth, welfare, and income distribution. Based on the analysis outlined above, it can be concluded that economic growth is the development of activities in the economy that causes goods and services produced in society to increase, which is generally measured by the increase in real GDP per capita or Gross Domestic Product (H Hartono, 2024). Factors such as human resources, natural resources, science and technology, culture, and capital resources can influence economic growth. Although Indonesia experienced a poor economy in 1998/1999, in the following years, the Indonesian economy generally experienced improvement and improvement. However, the improvement in the Indonesian economy was not always accompanied by improvements in social welfare and income distribution. The government must align economic growth with social welfare and income distribution, so that when economic growth increases, social welfare and income distribution can also be felt evenly by the community.

### **Hypothesis and Conceptual Framework**

#### **Hypothesis**

According to Arikunto (2006:71), a hypothesis can be defined as a temporary answer to a research problem, until proven through collected data.

The hypothesis proposed in this study is as follows:

Economic growth has a significant impact on the welfare of non-civil servant household heads in Sememi Village, Surabaya.

### **RESEARCH OBJECTIVES AND BENEFITS**

#### **Research Objectives**

Based on the problem formulation presented above, the objectives of this research are to determine and analyze the significant influence of economic growth on the welfare of

non-civil servant household heads in Sememi Village, Surabaya.

### **Research Benefits**

The benefits of this research are:

1. It can be conceptually understood and proven that the welfare program for non-civil servant household heads in Sememi Village, Surabaya, will be influenced by economic growth as part of the Surabaya City Government's labor availability-based strategy implementation effort. This can be further developed by other researchers in the future.
2. It can be understood and used as a consideration by the Surabaya City Government in formulating policies for poverty alleviation programs and improving community welfare, in an effort to create jobs for the Surabaya community, and its impact on improving the welfare of non-civil servant household heads in Sememi Village, Surabaya.

## **RESEARCH METHOD**

### **Research Design**

This research is called explanatory research because its goal is to explain the causal relationship between variables through hypothesis testing. It is also conclusive research because it meets the following characteristics (Malhotra, 2006:84):

### **Independent Variable: Economic Growth (X)**

Economic Growth is the development of economic activities that results in an increase in the goods and services produced in society.

- a. Land and natural resources.
- b. The number and quality of the population and workforce.
- c. Capital goods and technological level.
- d. Social systems and societal attitudes.

### **Welfare as the Dependent Variable (Y)**

A household experiences prosperity when all family members have created an atmosphere of sufficiency combined with honesty, resulting in a sense of inner peace (Soebroto and Thomas, 1992:56).

- a. A sense of sufficiency
- b. A sense of justice and honesty
- c. Inner peace

### **Data Collection Procedure**

#### **Data Type**

The data required in this study are categorized into one type: primary data, which is used to explain the variables studied, including economic growth and welfare for non-civil servant household heads in Surabaya.

### Data Collection Technique

The data collection technique used in this study was questionnaire distribution. This was carried out by distributing pre-designed questionnaires to the targeted sample of respondents, namely non-civil servant household heads in Surabaya.

### Sampling Techniques

#### Population

In this study, the population of the research object was all heads of households who were not civil servants in Surabaya, totaling 1,101,170 families.

#### Sample

This study used cluster sampling, which is a method for determining a sample when the object of study or data source is very broad, for example, the population of a country, province, or district/municipality (Sugiono, 2014:124). To ensure the sample is representative of the population, the minimum sample size was determined to be 105 respondents.

### Measurement Techniques

In this study, a questionnaire served as a data collection instrument to obtain respondents' responses, measured using a Likert scale consisting of scores of 1, 2, 3, 4, and 5 as alternative answer choices.

### Data Analysis Techniques

To analyze the data in this study, descriptive and statistical analysis methods were used, using Microsoft Excel and SPSS for Windows version 2.0 software.

## RESULTS AND DISCUSSION

### Regression Analysis Results

**Table. 1**  
**Simple Linear Regression Coefficient Data**

Variabel	Unstandardized Coefficient (B)	Standardized Coefficients (Beta)	t <sub>hitung</sub>	Sig
(Constant)	2,921	-	5,821	0,000
X	0,202	0,135	1,384	0,000
R	= 0,435			
R <sup>2</sup>	= 0,324			
α	= 0,05			

*Source: processed data*

Using the SPSS 20 computer program, the coefficient values obtained were calculated to produce a simple linear regression equation.

### **The Effect of Economic Growth on Welfare**

One effort to improve the welfare of non-civil servant families in Surabaya is to increase economic growth. Economic growth is crucial for non-civil servant families in Surabaya, as the magnitude of economic growth reflects or measures the value of the entrepreneur's work. Conversely, the magnitude of economic growth can affect the welfare of non-civil servant families in Surabaya. This study demonstrates that economic growth influences the welfare of non-civil servant families in Surabaya.

## **CONCLUSIONS AND SUGGESTIONS**

### **Conclusions**

Based on the data analysis in this study, the following conclusions can be drawn:

- a) There is an influence of economic growth on the welfare of non-civil servant families in Surabaya.
- b) There is an influence of other variables beyond those affected by this study.

### **Recommendations**

- a) Future researchers are advised to conduct research beyond the independent variables used in this study, for example, economic equality, regional minimum wages, per capita income, and others, or combine one of the variables in this study with other variables outside the study, considering the significant influence of other variables not included in this study.
- b) The research conducted shows that economic growth influences welfare. Therefore, the Surabaya City government is expected to increase its economic growth to improve the welfare of non-civil servant families.

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