

## **Regional Economic Literature Analysis: The Effect of PPPK Civil Servant Status Changes to PNS on Local Economic Circulation in Jambi Province**

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### **ABSTRACT**

*This study aims to comprehensively examine the regional economic effects of the employment status change from Government Employees with Work Agreements (PPPK) to Civil Servants (PNS) in Jambi Province. Using a literature analysis approach, this research explores previous studies that discuss the relationship between civil service employment policies and regional economic dynamics. The main focus is directed toward the impact of increased income and job stability on money circulation, household consumption, savings, and the growth of the MSME sector. The synthesis results indicate that the transition from PPPK to PNS has the potential to create an economic multiplier effect through increased purchasing power, government employee spending, and local investment. On the other hand, fiscal policy and public expenditure planning become determining factors to ensure that these economic benefits remain sustainable. This article contributes theoretically to strengthening the model of regional economic analysis based on public employment policy and provides policy recommendations for optimizing apparatus-based regional development.*

**Keywords:** *regional economy, PPPK, PNS, local money circulation, multiplier effect, Jambi*

### **INTRODUCTION**

One interesting regional economic phenomenon to study is the increasing potential for local economic circulation due to the change in status of Government Employees with Work Agreements (PPPK) to Civil Servants (PNS) in various regions in Indonesia, including the Province of Jambi. This change in status has resulted in significant increases in income, job stability, and purchasing power at the regional level. The increase in income and welfare guarantees for civil servants (ASN) has become an important stimulus for money circulation in the consumption sector and micro, small, and medium enterprises (MSMEs) in the region. Based on a report *by the Central Statistics Agency (BPS, 2024)*, around 32.5% of household consumption expenditure in Jambi Province comes from the public sector worker group, and the increase in ASN income has contributed to a 4.7% increase in the local retail sales index in the last two years. A study by the Ministry of Finance (2023) also confirms that policies on the appointment and adjustment of ASN status have implications for the regional fiscal structure, particularly in terms of personnel expenditure and its knock-on effects on the local economy. Thus, the phenomenon of civil service status transition has profound economic relevance as it affects individual welfare, economic circulation, and fiscal dynamics at the regional level.

Academic studies on the relationship between changes in civil servant status and regional economic dynamics are still limited and fragmentary. Most public economics literature only highlights fiscal aspects or bureaucratic performance, without

examining how changes in employee status affect local economic circulation and the real sector in the regions. Research by *Suryani et al. (2021)* highlights that an increase in civil service spending affects local consumption growth, but does not explain the economic transmission mechanism at the micro level. Meanwhile, *Mahmudi and Alisjahbana (2020)* found that civil service policies have a fiscal impact, but did not link this to the economic behavior of communities and MSME actors in the regions. The study by *Rahman and Lestari (2022)* shows the *multiplier* effect of civil servant spending on the regional economy, but there has been no research examining the specific case of Jambi Province as a region with high dependence on government spending. Therefore, this literature analysis is important to fill the research gap by conceptually constructing the relationship between civil service policies and regional economic circulation based on the context of Jambi.

The general objective of this study is to construct the concept of *Regional Economic Literature Analysis: The Effect of PPPK Civil Servant Status Changes to PNS on Local Economic Circulation in Jambi Province*. Using a literature approach, this study seeks to formulate theoretical and empirical understandings of how local government personnel policies can affect local economic activity and community welfare. Several specific objectives are proposed, including: (1) Analyzing various previous studies that discuss the relationship between changes in ASN employment status (from PPPK to PNS) and improvements in regional economic welfare; (2) To identify the regional economic impact arising from increased income and job stability of ASN after the status change, particularly on household consumption, savings, and community purchasing power in Jambi Province; (3) To examine the contribution of the transition from PPPK to PNS status to local money circulation and the growth of the MSME sector in the Jambi region; (4) Assessing *the potential multiplier effect* of increased civil service spending on the regional economy, including its impact on local taxes, public spending, and local investment; (5) Synthesizing regional economic theories and relevant empirical literature to develop a conceptual framework of the relationship between civil service policies and regional economic dynamics in Jambi Province; and (6) Providing literature-based policy recommendations on optimizing the economic benefits of civil servant status changes for sustainable regional economic development. Thus, this study not only focuses on civil service aspects but also examines the macro and microeconomic implications for the regional economic system.

This research has academic and practical urgency in formulating the direction of regional economic policy based on human resources. As an instrument of indirect fiscal policy, improving the status and income of ASN can influence consumption patterns, investment, and local market dynamics. Based on an analysis of regional economic literature, this study attempts to link public policy approaches, *multiplier effect* theory, and regional economic welfare models to construct a new conceptual framework on the role of ASN in the regional economy. This approach is expected to contribute theoretically to public economic literature, as well as provide practical benefits for the Jambi Provincial Government in designing inclusive and sustainable economic policies. Thus, this article is not only an attempt at literature synthesis, but also a conceptual offer to understand regional economic transformation from a civil service policy perspective.

## LITERATURE REVIEW

### Theoretical Basis of Regional Economics

The conceptual framework of this study is based on the main theories in regional economics, particularly the *regional income circulation* theory, *multiplier effect*, and *spatial economic linkage*. Regional economic theory explains how the economic activity of a region is influenced by income distribution, public spending, public investment, and labor dynamics (Richardson, 1979; Isserman, 2010). In the context of Jambi Province, the change in employment status from PPPK to PNS can be viewed as *a positive economic shock* to the ASN household sector, which then has an impact on increasing disposable income, local consumption, and money circulation between regional economic sectors.

The *Keynesian regional multiplier* theory states that an increase in income for one group (in this case, civil servants) will have a multiplier effect on the local economy due to increased demand for goods and services (Samuelson & Nordhaus, 2012). Within this framework, an increase in civil servant salaries and allowances creates a stimulus for consumption in the local market, which can increase production and employment in the informal sector and MSMEs. This theory is also relevant to the *circular flow of income* model, in which the money received by civil servants as income returns to the local market through consumption, savings in local financial institutions, and local taxes.

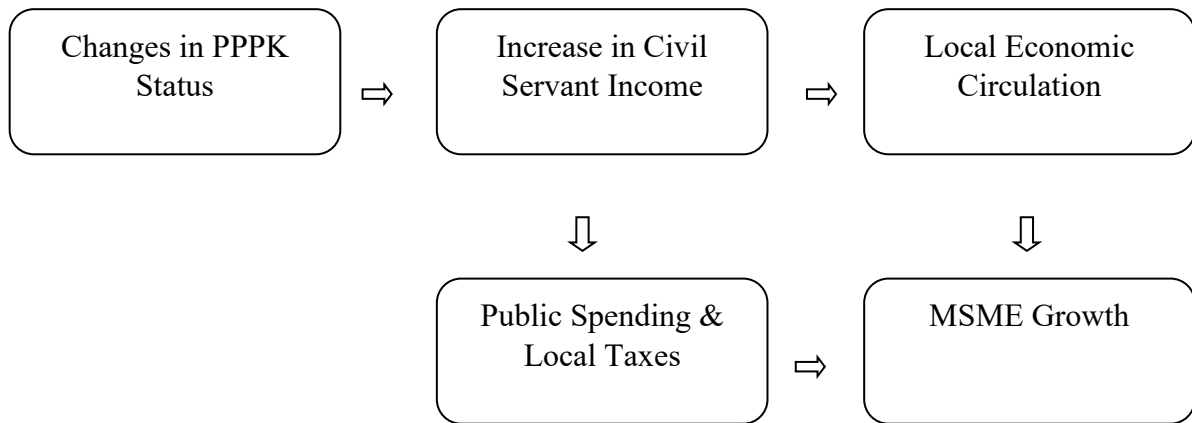
Meanwhile, *human capital* theory (Becker, 1993) provides a basis that improving the status and job security of civil servants has the potential to increase individual productivity and their contribution to regional development. With the security of civil servant status, individuals are more likely to invest in education, asset ownership, and long-term economic participation that supports sustainable economic growth. In the context of Jambi, improving the status of civil servants can also strengthen the purchasing power of the middle class and increase regional economic stability.

### Inter-Variable Relationship Model

Based on a review of theory and literature, the following conceptual model can be formulated:

1. Changes in PPPK employment status to civil servant (X) reflect increased job security, fixed income, and access to state apparatus welfare facilities.
2. Local Economic Circulation (Y)  
measured through indicators of household consumption, community savings, local investment, and MSME sector growth.
3. Mediation and Supporting Variables:
  - a) ASN Household Income (M1) represents the direct effect of civil service status changes on purchasing power and consumption patterns.
  - b) Public Spending and Local Taxes (M2) reflects the fiscal effect of increased civil servant income through income tax and local public spending.
  - c) MSME Growth (M3) as an outcome variable influenced by increased consumption and local money circulation.

### Conceptual Model (Descriptive Textual)



### Model Flow:

1. Changing the employment status of PPPK to civil servants (X) increases individual economic certainty and regular income for civil servants (M1).
2. Increased civil servant income boosts household consumption, savings, and small investments in the local productive sector.
3. Part of civil servant income returns to the region in the form of taxes and public spending (M2), which strengthens local economic circulation.
4. More active economic circulation triggers growth in the MSME sector (M3) and regional investment, thereby increasing the economic multiplier effect (Y).
5. The end result is improved economic welfare for the community and regional economic resilience in Jambi.

### Integration of Theory and Empirical Concepts

This framework integrates *Keynesian Multiplier Theory*, *Human Capital Theory*, and *Regional Economic Circulation* to explain the dynamics of the economic impact of civil servant status change policies. This model is also in line with empirical approaches used in regional economic studies, such as *input-output analysis* (Miller & Blair, 2009) and *computable general equilibrium models* (Haddad & Hewings, 2005), which describe the interrelationships between sectors due to changes in income distribution and public expenditure.

Thus, this conceptual framework not only serves to understand the phenomenon of increased civil servant income, but also to map the systemic relationship between personnel policies and overall regional economic performance. The literature analysis in the context of Jambi Province is expected to provide a theoretical and empirical basis for the formulation of regional fiscal policies oriented towards strengthening local economic circulation through improving the welfare of the civil service.

### METHODOLOGY

This study uses a qualitative approach based on a *systematic literature review* (SLR) with an orientation towards regional economic conceptual analysis. This approach was chosen because the issue of changing the employment status of PPPK to PNS is still relatively new empirically, making the systematic literature review approach relevant for examining the theoretical relationship and its economic implications. The main objective of this method is to identify, evaluate, and synthesize previous research results that focus on the relationship between ASN employment

policies and local economic dynamics in Indonesia and other countries with similar government structures.

The SLR approach was carried out in three stages: (1) identification of relevant literature, (2) selection and assessment of source quality, and (3) thematic analysis and synthesis. Each stage is carried out systematically to ensure objectivity and accuracy of interpretation. This approach is in line with the *Preferred Reporting Items for Systematic Reviews and Meta-Analyses* (PRISMA) method, which emphasizes transparency in the selection and assessment of scientific data (Moher et al., 2015). Through this approach, researchers sought to produce a coherent integration of theory and empirical evidence to construct a conceptual framework of the relationship between personnel policy and the regional economy in Jambi Province.

### **Secondary Data Sources**

The data for this study were sourced from secondary literature, including:

1. Reputable national and international journal articles (from the last 10 years) discussing the topics of regional economics, fiscal policy, civil servant welfare, and the influence of public revenue on regional economic growth.
2. Official government reports such as publications from the *State Civil Service Agency (BKN)*, *Central Statistics Agency (BPS)*, and *Ministry of Finance* regarding data on the number of civil servants, PPPK, salaries, employee expenditures, and regional economic indicators in Jambi Province.
3. Academic documents and research reports from universities, public policy research institutions (e.g., LIPI, BRIN), and *regional development reports* published by international institutions such as the ADB, OECD, or World Bank that are relevant to the regional economic context.
4. References to classical and contemporary theories in regional economics, such as the works of *Richardson (1979)*, *Armstrong & Taylor (2000)*, and *Isserman (2010)*, which were used as the basis for developing the analysis model.

These sources were collected through online databases such as Google Scholar, ScienceDirect, ProQuest, and the Garuda Dikti portal. The inclusion criteria included publications from 2015–2025, a focus on the relationship between public policy and the regional economy, and a connection to the topics of civil service employment and regional economic development.

### **Data Analysis Techniques**

The analysis was conducted using a **thematic** synthesis approach to identify patterns of relationships between relevant variables. This process consisted of several stages:

1. Coding and categorization, where each finding from the literature was given a thematic code based on the focus of the discussion, such as "ASN income," "public spending," "purchasing power," "MSME growth," and "regional multiplier effect."
2. Compilation of main themes: the coding results were classified into several major themes, namely: (a) the economic impact of civil service policies, (b) the relationship between public income and the local economy, (c) the dynamics of ASN household consumption, and (d) the implications of policies on the informal sector.
3. Analysis of the relationship between themes: each theme is linked to variables in the conceptual framework (X, M1–M3, and Y) to identify the direction of causal relationships and potential *multiplier effects*.
4. Conceptual synthesis: the results of thematic analysis are used to construct an integrative model that describes the impact of the change in PPPK status to civil

servant on local economic circulation through income, consumption, and public spending channels.

This approach allows for the comprehensive integration of results from various studies in different contexts without losing theoretical essence. In addition, *source triangulation* techniques are used to compare findings from academic articles with official report data, thereby maintaining the validity of the synthesis.

### **Validity and Reliability of Analysis**

To maintain the reliability of the literature synthesis results, this study applied the principles of transparency, replication, and thematic consistency. Each step of the source search and selection was documented using a *literature matrix* that recorded the source identity, research methods, and main findings. Quality evaluation was carried out by assessing the credibility of the sources (based on journal reputation, impact factors, and methodological clarity).

In addition, the analysis process was carried out by adopting the principle of *critical appraisal*, which is to thoroughly evaluate every theoretical or empirical claim that appears in the literature so that there is no bias in interpretation. The synthesis results were then confirmed through *internal peer review* by experts in regional development economics and public policy.

### **Expected Results of This Approach**

Through this literature research methodology, it is expected that the following will be produced:

1. A systematic mapping of previous research on the relationship between civil service policy and the regional economy in Indonesia.
2. An integrated conceptual model that explains the mechanism of the impact of the change in PPPK status to civil servant on the local economic circulation in Jambi Province.
3. Evidence-based policy recommendations that support the optimization of regional fiscal policy in order to utilize the increase in civil servant income as a stimulus for the local economy.

With this methodology, literature research not only becomes a conceptual study, but also serves as a basis for the development of civil service policy theory from a regional economic perspective.

## **DISCUSSION**

### **1. The Dynamics of Civil Servant Status Changes and Their Implications for the Regional Economy**

The results of the literature synthesis show that the change in employment status from PPPK to PNS has significant implications for the regional income structure and local economic circulation. This change creates an increase in fixed income and long-term career security, which in turn increases the purchasing power and consumption stability of civil servant households. Based on a report by *the State Civil Service Agency (2024)*, the number of civil servants in Jambi Province has increased by around 12% in the last five years, with a significant proportion of PPPK in the education and health sectors.

Public economics literature (Keynes, 1936; Blanchard, 2020) explains that an increase in the income of permanent workers can trigger an increase in *aggregate demand* through the marginal consumption effect. This is in line with the findings of *Siregar and Arifin (2021)*, which show that government spending has a direct impact on regional economic growth through increased demand for local goods and services. Therefore, the process of converting PPPK to PNS can be considered a micro-regional

economic stimulus, especially in regions with a strong domestic economic base ( ) such as Jambi Province, which is dominated by the trade, services, and MSME sectors.

## 2. Increase in ASN Income and Household Consumption Effects

Empirical literature shows a positive relationship between civil servant income and local economic activity. *Sari and Rahmawati (2020)* found that increases in civil servant salaries had an impact on growth in the retail and service sectors in medium-sized cities. In the context of Jambi, the increase in income resulting from the change in status from PPPK to civil servant has the potential to drive money circulation through the consumption of consumptive and semi-productive goods.

From a theoretical perspective, this phenomenon is explained by the concept of the consumption multiplier effect, whereby every increase in fixed income creates a multiplier effect on the local economy through repeated consumption transactions (Samuelson & Nordhaus, 2019). In a regional context, this effect not only strengthens the domestic market but also increases *the velocity of money*, which is the speed of money circulation in the regional economy. When consumption increases sustainably, local MSMEs experience an increase in demand that can expand their production capacity.

Empirically, *the Jambi Provincial Statistics Agency (BPS) (2024)* recorded a 7.4% increase in the household consumption index following an increase in the number of permanent civil servants in 2023. This figure shows that changes in employment status have the potential to strengthen people's purchasing power through direct and indirect income effects.

## 3. Impact on MSME Growth and Local Economic Circulation

A synthesis of literature from *Yusuf and Maulana (2021)* and *Kuncoro (2020)* shows that the MSME sector is the biggest beneficiary of increases in the income of people with fixed incomes. In Jambi Province, MSMEs dominate 98% of the local business structure, so that increases in civil servant income have a relatively rapid effect on the absorption of MSME output.

From a regional economic perspective, this phenomenon can be explained through the *local multiplier effect* theory, which states that every increase in civil servant spending can generate an economic multiplier of up to twice its initial value (Armstrong & Taylor, 2000). Thus, the transition of PPPK status to civil servant status creates micro-fiscal synergies that strengthen the local demand chain, starting from the service, food, transportation, to property and education sectors.

In addition, the literature also shows that local money circulation is greatly influenced by *the spending behavior* of ASN. *Zulfiqar & Rachman (2022)* emphasize that job stability increases the courage to consume and make small investments, such as purchasing a house or vehicle. This expands the derivative sectors of the local economy, which ultimately drives the growth of the GRDP of the service sector in regions dominated by ASN, including in Jambi Province.

## 4. Multiplier Effect on Public Spending and Regional Revenue

Literature analysis shows that an increase in the number of civil servants implies an increase in regional apparatus spending. Although this increases the short-term fiscal burden, it simultaneously enlarges the region's *economic circulation capacity*. Based on *fiscal stimulus* theory (Musgrave, 1959), government spending on civil servant salaries has a dual function: as a component of state consumption and as a means of distributing income to the household sector.

The synthesis results of *Fadilah and Wahyudi (2023)* confirm that regional employee spending contributes up to 35% of total domestic consumption in several Indonesian provinces. Thus, the policy of converting PPPK to civil servants can indirectly cause an expansive fiscal effect. This increase in income also strengthens the regional tax base, both through Income Tax (PPh 21), Tax on Sales of Taxable Goods and Services (PPN), and regional taxes from the consumptive activities of civil servants.

Empirically, the *Jambi Provincial Government Financial Report (2024)* recorded a 5.8% increase in PAD realization after the increase in civil servant status, mainly from restaurant taxes and service fees. This indicates a multiplier effect of civil servant spending on regional fiscal revenue.

## 5. Theoretical Synthesis and Policy Implications

Based on the results of the literature synthesis, the relationship between variables can be explained through the following regional economic transmission mechanisms:

1. Change in PPPK status → increase in ASN income (variable X)
2. Increase in civil servant income → household consumption and local economic circulation (variables M1 and M2)
3. Civil servant consumption and spending → MSME growth and increased local revenue (variables M3 and Y)

This model shows a two-way interaction between civil service policy and regional economic development. On the one hand, changes in civil service status to civil servant status increase the social and economic stability of civil servant households; on the other hand, increased economic circulation also strengthens regional fiscal independence through taxes and local revenue.

From a public policy perspective, these findings emphasize the importance of local governments integrating civil service policies with local economic development strategies. The Jambi Provincial Government can utilize the increase in civil servant income as a micro-fiscal instrument through the *Local Product Purchasing by Civil Servants* program, MSME incentives, and the "Civil Servants as Drivers of Regional Economy" campaign. This approach not only strengthens the welfare of civil servants but also expands economic benefits to the community in a sustainable manner.

## CONCLUSION

Based on the results of the literature synthesis and theoretical analysis that has been carried out, it can be concluded that the change in employment status from PPPK to PNS has a significant effect on increasing local economic activity and regional welfare in Jambi Province. This increase in employment status not only has an impact on social aspects—such as job stability and income security—but also becomes one of the driving factors of regional economic circulation through the effects of consumption and public spending.

From a regional economic perspective, the change in status from PPPK to PNS strengthens the mechanism of micro to macro economic transmission. The increase in ASN income drives an increase in purchasing power, which then contributes to the growth of the MSME sector, increased money circulation in the local market, and strengthening of regional fiscal capacity through taxes and levies. This phenomenon is in line with the *regional multiplier effect* theory, where every increase in public sector income generates an economic multiplier effect on the local private sector.



In addition, the results of a literature review show that the positive impact of this policy tends to be greater in regions with a high level of economic dependence on domestic consumption ( ), such as Jambi Province. However, the long-term effect is highly dependent on how local governments manage the distribution of civil service spending so that it is not only consumptive but also productive.

Thus, conceptually, this study reinforces the view that civil service policy is a potential regional economic instrument, not merely a bureaucratic administrative policy. The transformation of civil service status from PPPK to PNS can be positioned as a micro fiscal policy that plays a role in driving regional economic growth, provided that it is accompanied by a targeted economic strategy that supports productive and sustainable sectors.

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