

Analysis of Factors That Influence Labor Absorption in The Selayar Islands Regency

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Abstract

This study aims to analyze the effect of regional capital expenditure on employment both directly and indirectly through the level of education in the Selayar Islands Regency and the effect of wages on labor absorption in the Selayar Islands Regency in 2007-2020. This study used secondary data obtained from the Central Statistics Agency (BPS), the Manpower and Transmigration Service (DISNAKERTRANS). The data analysis model uses the TSLS (Two Stage Least Square) multiple linear regression analysis model. The results of this study show that regional capital expenditure does not affect the absorption of labor either directly or indirectly in the Selayar Islands Regency while wages affect the absorption of labor in the Selayar Islands Regency.

Keywords | Employment, education level, regional capital expenditure, wages

INTRODUCTION

Employment is still one of the unsolved problems. This is due to an increase in population and unemployment, which is not consistent with adequate employment opportunities. The Selayar Islands Regency has a population that continues to increase every year. Based on BPS data for Selayar Islands Regency, there was an increase in the population of 123,283 people in 2011 to 137,071 people in 2020. The data shows that the population has increased every year. With an increase in population, it is hoped that the Selayar Islands Regency government will be able to improve the quality of its population so that it can produce production to increase economic growth in the Selayar Islands Regency.

Table 1 Population of Selayar Islands Regency 2011-2020

Tahun	Jumlah Penduduk
2011	123.283
2012	124.553
2013	127.220
2014	128.744
2015	130.199
2016	131.605
2017	133.003
2018	134.280
2019	135.624
2020	137.974

Source: BPS Selayar Islands Regency

And to keep the unemployment rate from rising, population growth must be accompanied by an increase in the number of jobs. Population and employment are linked



and cannot be separated. A large population will increase the supply of labor, but without matching economic growth, the ratio of those who are employed and those who are looking for work will increase, ultimately increasing competition for jobs and leaving many of working age unable to find work. If the unemployment rate rises, it will indirectly affect the following social problems. B. Declining home ownership will also increase the number of children who drop out of school, increase crime rates, and may even strain national budgets to address various issues related to unemployment. This link can be illustrated in Figure 1.1 below.

Figure 1 Labor Chart



Source: Bapennas, 2022

The regency government of the Selayar Islands should upgrade its human resources to better quality and pay attention to wage levels that may affect employment. Additionally, governments need to provide more jobs to absorb the existing workforce. The Selayar Islands Regency Government has not set a minimum wage for districts/cities in the Selayar Islands Regency region because all districts/cities in South Sulawesi Province follow the South Sulawesi Government's minimum wage policy, except for Makassar City, Parepare City and Luwu District.

The factor that includes the workforce is also the education index, the composition of which is based on two of its indicators: average and expected school years. Education index is one of the aspects that influences employment in the Selayar Islands Regency. If you have the best talent in each community, you can easily get the job you want. A quality workforce is achieved by acquiring knowledge and skills through investment in education and health.

Developing quality human resources requires various facilities and infrastructure, including investments in the education sector through state budgets in public services. Expenditures on government facilities and infrastructure include capital expenditures. The purpose of capital expenditure is to develop and improve facilities and infrastructure to improve public services. B. Development of education, health, transportation, etc. Local expenditure budgets should therefore be allocated to capital expenditures rather than to routine expenditures, which are considered more expendable and less productive. Government spending on investment and other productive activities can have a positive

impact on economic growth, but in some cases inefficient government spending can hinder economic growth (Barro, 1990).

LITERATURE REVIEW

Work Absorption Theory

Labor absorption is the number of employees working in a business unit (Zamrowi, 2007: 3). It can also mean that the population is involved in different sectors of the economy.

The high number of jobs filled, and the number of employees can be interpreted as labor absorption (Kuncoro, 2002). Accepting a job is accepting the subject of the job to do the job as they should. The working population means that they are involved in different sectors of the economy. On the other hand, Indonesia has abundant human resources. Therefore, human resources as a labor force must be utilized to the maximum extent possible to maintain employment and promote economic growth.

Labor Demand and Supply

Labor demand is the amount of labor needed by a particular company. With regard to labor, the demand for labor means the relationship between wage rates and the amount of labor required by a firm to be employed.

A company's demand for labor is certainly different from consumer demand for goods or services. Consumers buy goods and services because these goods and services provide satisfaction. In addition, the company employs someone to help produce goods and services to be sold to the public or consumers. In other words, the increase in the company's demand for labor depends on the increase in public demand for the goods and services it produces. Such a demand for labor is called a derived demand (Simanjuntak, 1985).

Government Expenditure Theory

Government spending According to Keynes, total economic revenue in the short term is determined primarily by the willingness of households, businesses and governments to spend their income. Therefore, total spending can be broken down into four components:

Household consumption, private investment, government spending and exports. Balanced national income is achieved with $Y=C+I+G$. So the national income is Y . When this economy turns into an open economy, he will have two new spending streams: exports and imports. Exports increase total expenditure, while imports decrease total expenditure. When an economy moves from a closed economy to an open economy, total spending increases by the same amount as net exports. Per H. $(X-M)$. Then the national income of an open economy is $Y=C+I+G+(X-M)$. Since government spending plays a role in generating economic activity through policies to overcome unemployment and slow economic growth, it can be concluded that governments are G in because they need to spend more on infrastructure development, ports and education development (Sadono Sukirno:2007).



Capital Investment

Capital expenditures are local government expenditures used to acquire fixed assets and/or other capital goods to carry out local government activities or for the benefit of the general public. Fixed assets are tangible assets that have a useful life over more than one accounting period and are intended for governmental activities or use by the general public.

Capital expenditures are made as part of capital formation aimed at creating fixed assets or common inventories and providing profits over multiple accounting periods. Fixed assets to finance local expenditure consist of equipment, buildings, infrastructure and other fixed assets (Halim, 2001).

Wage Theory

Provincial Minimum Wage or Regional Minimum Wage is a minimum standard used by employers or industry players to provide wages to employees, employees or laborers in their business or work environment. Payment of wages is in principle given in the form of money. Wages are basically a reward from the employer to the worker for a job or service that has been or will be performed, expressed or assessed in a form determined according to an agreement or applicable laws and regulations (Soesanto, 1991:23).

Education Indicators

The Education Index is a component of the Human Development Index (IPM). The indicators for the education index are the expected length of schooling and the average length of schooling. Each component of the Education Index is normalized to a minimum and maximum value before being used in the Education Index calculation.

Human capital theory. The basic premise of human capital theory is that people can earn more by getting more education. Based on this theory, it can be explained that each year of schooling means an increase in working capacity and income level, while the income receipt is delayed by one year due to schooling and the expectation is that more education will increase income (Mankiw, 2006:57).

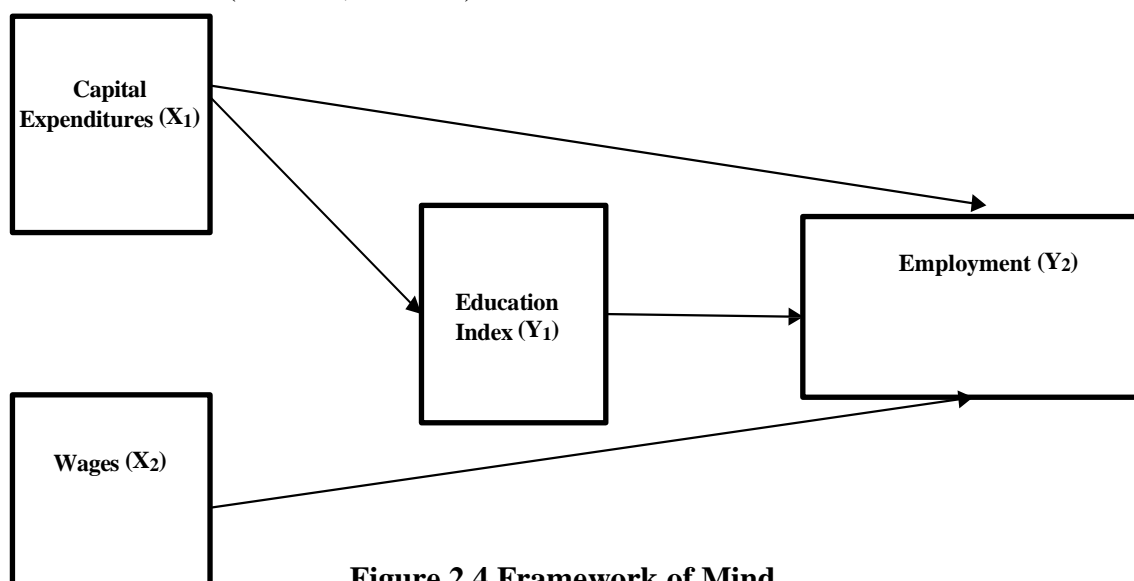


Figure 2.4 Framework of Mind

METHODS

Research Scope

The scope of this study concerns the impact of local capital expenditure on direct and indirect employment acquisition via education level in the Celayas Regency and the impact of wages on employment in the Celayas Regency over the period 2007-2020.

Types and Sources of Data

The data used in this study were not obtained directly from the research object but were collected through secondary sources that had previously been processed and collected. The data collected by the author is in the form of time series data in the form of numbers (numeric). The institutions, authorities or institutions that are the source of data are the Central Bureau of Statistics (BPS), the Office of Manpower and Transmigration (DISNAKERTRANS).

Data Collection Methods

The data collection method in this study is a literature survey. Literature research is an analytical technique that extracts relevant information from records and literature. Documentation techniques include determining and documenting information data about the object of investigation.

Data Analysis Methods

This study aims to see the effect of the relationship between the independent variables on the dependent variable through intermediary variables. The dependent variable in this study is employment, the independent variable in this study is capital expenditure, wages and the intermediary variable is education growth.

The analytical method used is TSLS (Two Stage Least Square) multiple linear regression analysis. The model used is stated as follows:

$$Y1 = f(X1) \dots \dots \dots (3.1)$$

$$Y2 = f(X1, X2, Y1) \dots \dots \dots (3.2)$$

Based on equation (3.1) and equation (3.2), the following equations and models can be formed:

$$Y1 = \alpha_0 + \alpha_1 X1 + \mu_1 \dots \dots \dots (3.4)$$

$$Y2 = \beta_0 + \beta_1 X1 + \beta_2 X2 + \beta_3 Y1 + \mu_2 \dots \dots \dots (3.5)$$

Information:

α = Constant

$Y1$ = Education (Index)

$Y2$ = Absorption of Labor (Person) $X1$ = Regional Capital Expenditure (Percent) $X2$ = Minimum Wage (Rupiah)

β = Slope or Regression Coefficient

μ = Error terms



Because equations (3.4) and (3.5) are non-linear equations, to obtain the elasticity values, they are converted into linear equations using Natural Logarithms (Ln) so that they become:

$$Y_1 = \alpha_0 + \alpha_1 X_1 + \mu_1 \dots \dots \dots (3.6)$$

$$\text{Ln} Y_2 = \beta_0 + \beta_1 X_1 + \beta_2 \text{Ln} X_2 + \beta_3 Y_1 + \mu_2 \dots \dots \dots (3.7)$$

Equation (3.6) is substituted into equation (3.7) to obtain the reduced form equation as follows:

$$\text{Ln} Y_2 = \beta_0 + \beta_1 X_1 + \beta_2 \text{Ln} X_2 + \beta_3 (\alpha_0 + \alpha_1 X_1 + \mu_1) + \mu_2$$

$$\text{Ln} Y_2 = \beta_0 + \beta_1 X_1 + \beta_2 \text{Ln} X_2 + \beta_3 \alpha_0 + \beta_3 \alpha_1 X_1 + \beta_3 \mu_1 + \mu_2$$

$$= (\beta_0 + \beta_3 \alpha_0) + (\beta_1 X_1 + \beta_3 \alpha_1 X_1) + \beta_2 \text{Ln} X_2 + (\beta_3 \mu_1 + \mu_2)$$

$$= (\beta_0 + \beta_3 \alpha_0) + (\beta_1 + \beta_3 \alpha_1) X_1 + \beta_2 \text{Ln} X_2 + (\beta_3 \mu_1 + \mu_2)$$

$$= \delta_0 + \delta_1 X_1 + \delta_2 \text{Ln} X_2 + \mu_3$$

Where:

$$\delta_0 = \beta_0 + \beta_3 \alpha_0 = \text{constant}$$

$\delta_1 = \beta_3 \alpha_1$ = effect of capital expenditure on employment both directly and indirectly through the education index

$\delta_2 = \beta_2 \text{Ln} X_2$ = direct effect of wages on employment

RESULTS AND DISCUSSION

Impact of Capital Expenditure on Selayal Regency Education Index

The results of this study suggest that investment variables influence education indices. This can be seen from the probability of being less than 5% or 0.05 (0.017), a t-statistic of 2.757, and a regression coefficient of 18374.84. The first is that when allocating capital expenditures, there are physical capital expenditures, such as the construction of educational facilities and infrastructure buildings and school buildings, and non-physical capital expenditures, such as activities related to the provision of education. As a result

Consistent with the research hypotheses presented in the previous chapter, government investment spending has had a positive and significant impact on education in the Selayar Islands Regency.

Impact of Capital Expenditure on Employment in Selayal Islands Province

The results of this study show that investment variables have no effect on job acquisition in the Selayal Islands Regency. This can be seen in terms of probability when the estimated outcome is greater than 5% or 0.05 (0.474), the t-statistic is -0.743, and the regression coefficient is -0.289. This finding is inconsistent with the research hypothesis that government investment spending has a positive and significant impact on employment in the Selayal Regency.

This indicates that the level of government capital expenditure in the Selayal Islands Regency during this study period was insufficient to have any real impact on employment in the Selayal Islands Regency. This is because when capital expenditure is allocated, it

allocates more to non-physical capital expenditure than to physical expenditure, which absorbs more labor.

Impact of wages on employment in the Selayal regency

The results of this study show that wage variables influence employment rates in the Selayal Islands Regency. This can be seen in terms of probability, where the estimated result is less than 5%, or less than 0.05 (which equals 0.001, t-statistic 4,504, regression coefficient 0.202). This means that for every 1% increase in wages, employment increases by 0.202%. This finding is consistent with the research hypothesis presented in the previous chapter that government investment spending has a significant positive effect on education in the Selayal Regency.

Influence of Education Index on Employment Rate in the Selayal Islands Regency

The results of this study show that the education index variable has no effect on employment rates in the Selayal Islands Regency. This is seen in terms of probability when the estimated outcome is greater than 5% or 0.05 (0.05 equals 0.583), the t-statistic is 0.565, and the regression coefficient is 0.000059. This finding is inconsistent with the research hypothesis presented in the previous chapter that the education index influences the employment rate of the Selayal Islands Regency. Education in the Selayal Islands Regency has not been affected because it still has a large number of low-educated workers. The education that workers receive is, at best, the completion of basic education such as elementary school, and the lack of knowledge and skills among workers, as well as their lack of mental motivation, reduces the efficiency of the labor force and hinders employment.

Impact of capital expenditure on employment by the education index

The direct relationship between capital expenditure and employment in the Selayal Islands Regency does not matter. Similarly, the indirect relationship between capital expenditure and employment in the Selayal regency showed insignificant results.

CONCLUSION

Based on the results of the analysis described in the previous chapter, we can draw some conclusions in this section.

1. Over the period 2007-2020, regional capital expenditure had no direct or indirect impact on employment in the Selayal Regency. Changes to the distribution of regional capital expenditures had no impact on employment in the Selayal Islands Regency. This means that the allocation of regional capital expenditures cannot be used as the primary instrument of efforts to increase employment in the Selayar Islands regency.
2. Wages will affect employment in the Selayal Islands Regency from 2007 to 2020. The higher the wage rate, the higher the labor intake in the Selayal Islands Regency. This means that wages can be used as a primary tool in efforts to increase employment in the Seleigh Regency.



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