



Analysis Of Factors Affecting Employment In Sidoarjo Regency

Putri Kurniawati ¹, Ririt Iriani Sri Setiawati ²

^{1,2} Development Economics Study Program, Faculty of Economics and Business,
Universitas Pembangunan Nasional Veteran East Java, Indonesia

Email: ¹putrikurniawati2009@gmail.com, ²ririt.iriani.ep@upnjatim.ac.id

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ABSTRACT

Problems that occur in Indonesia that until now have not been resolved are related to labor absorption. The large number of job seekers who are not proportional to the number of available jobs makes unemployment increase. This study aims to analyze the factors that affect labor absorption in Sidoarjo Regency using three independent variables, namely economic growth, domestic investment, and district minimum wage. This research uses quantitative research methods with time series data over 15 years, starting from 2007 to 2021. The method used is multiple linear regression. The analysis tools used use IBM SPSS Statistics 25. The results showed that economic growth, domestic investment, and the district minimum wage together (simultaneously) had a significant influence on employment in Sidoarjo Regency.

INTRODUCTION

In general, economic development is a series of economic efforts in developing economic activities such as the provision of more infrastructure, developing companies, improving the quality of education, and increasingly advanced and developing technology, it becomes an important meaning in an economic development process. Economic development always involves human resources as one of the development actors, therefore the population in a country becomes the main element in development. A population that is too large and not proportional to the availability of employment will cause some of the population who are at the age of the labor force not to get jobs resulting in high unemployment. (Anggraini et al., 2020).

Indicators of the success of a country's economic development can be measured through economic growth, the number of unemployed, the high workforce absorbed and later can support the process of developing country development to create equitable development and

can provide output in improving the quality of life of the community and prospering the life of the community with increased employment (Ardiansyah et al. 2023).

According to the Central Statistics Agency (BPS) in 2020, Indonesia has a population of around 270.20 million people, and is still ranked 4th in the World Countries with the largest population after China, India and the United States. The population problem in Indonesia is caused by a large population accompanied by a relatively fast growth rate and uneven population distribution (Purwasih & Soesatyo, 2017). With a large population resulting in an increasing labor force every year, it makes Indonesia face labor problems due to the limited ability of the economy to absorb new resources.

East Java Province has an area with many industrial estates which is called the Kertosusila Gate area, areas that have many industrial estates should be able to minimize the unemployment rate because industrial areas must provide jobs, but besides that, the area is also crowded with many residents both from outside the region and indigenous people. Population growth increases the number of people working, so the number of job seekers also increases. Therefore, population growth must be followed by absorbed labor to have an impact on the decline in the number of the labor force. Sidoarjo Regency is the second district with the highest population level in the Kertosusila Gate area (Yuniarti & Imaningsih, 2022).

In the Central Bureau of Statistics of Sidoarjo Regency stated that, in 2020 the population of Sidoarjo Regency amounted to 2,282,215 people with a total labor force of 1.19 million people. The high population causes problems in Sidoarjo Regency, including unemployment and employment. This is the reason for researchers to conduct research in Sidoarjo Regency to analyze the effect of economic growth, PMDN investment, and minimum wages on labor absorption in Sidoarjo Regency.

The following is a description of independent variables that are the reason for researching labor absorption in Sidoarjo Regency, namely as follows. During the 2017-2021 period, the economic growth rate of Sidoarjo Regency tends to fluctuate. The economy of Sidoarjo Regency grew 4.21 percent in 2021, which showed an increase of 7.9 percent compared to the previous year which contracted to 3.69 percent due to the spread of the COVID-19 pandemic. During 2021, the number of business fields that experienced growth doubled compared to the previous year which was only 7 business fields to 14 business fields. In classical economic theory, Harrod-Domar Economic Growth states that the key to achieving high economic growth requires positive investment value and therefore the source of capital formation is domestic savings (Asrinda, D., & Setiawati, R. 2022).

Furthermore, the amount of investment realization in Sidoarjo Regency is shown in 2017-2021 where the total investment value of PMDN in 2017 in Sidoarjo Regency is 16,187,302,340,815.10 and PMA is 1,698,323,750,000.00. From 2017-2018 PMDN and PMA units in Sidoarjo Regency increased by 13%. The increase in PMDN investment was not followed by FDI investment where in 2017-2018 continued to decline by 132,421,250,000.00. The realization of PMDN and PMA investment in Sidoarjo Regency as a whole starting from 2017-2021 has increased and decreased.

Wages can be interpreted as rewards issued by producers to employees as a reward for services that have been done by their workers (Wihastuti & Rahmatullah, 2018). The implementation of the minimum wage is an effort to increase the per capita wage of workers so that the average wage level of the workforce can increase. Wage increases can indeed increase the number of labor force the classical theory states that high wages invite population growth so that the demand for food increases making producers increase production by increasing the number of workers as managers of production that can be produced (M.L. Jhingan, 2016).

The minimum wage of Sidoarjo Regency has increased every year, it should prosper the workforce, if it is associated with the high number of unemployment in Sidoarjo Regency it can be a question whether the increase in wages can prosper the lives of the workforce. This can be alluded to in the results of research conducted by Wildan, 2018 where the district minimum

wage has a positive relationship with employment. This means that the district minimum wage affects the absorption of labor and can prosper its workforce.

LITERATURE REVIEW

Economic Growth

Economic growth is one of the important indicators of the success of development in a country's economy. Economic growth and economic development have different meanings. Economic development is defined as the process that causes an increase in the real per capita income of a country's population over a long time accompanied by an institutional system. Then economic growth can be interpreted as an increase in GDP or GNP regardless of whether the increase is greater or smaller than the population growth rate or whether changes in economic structure occur or not (Arsyad, 2010).

Domestic Investment

Investment is one of the variables in macroeconomics that has an important role in increasing economic growth (Yuliana et al., 2019). These activities trigger economic growth by increasing capital accumulation and efficiency correlated with GDP growth. In investment activities, investors need information as a basis for determining investment decisions. This information can be sourced from GDP into consideration for investors to rebalance their portfolios, resulting in stock price movements in the capital market (Budhiraja et al., 2018).

According to Law Number 25 of 2007, Domestic Investment is an investment activity to do business in the territory of the Republic of Indonesia carried out by domestic investors using domestic capital. The benefits of domestic investment are as follows: able to save foreign exchange; reduce dependence on foreign products; encourage the progress of domestic industry through forward linkage and backward linkage; and contribute to efforts to absorb labor (Irwan, et al., 2018).

Minimum Wage

A minimum wage is a local government policy in setting a minimum standard used by employers or industry players to provide wages to workers in their work environment. The minimum wage is the lowest monthly wage consisting of wages without allowances and basic wages including fixed allowances. So for the monthly/permanent workforce, wages are not affected by the number of work attendance. As for daily labor, wages will be deducted if they do not come to work.

The National Wage Research Council defines wages as a receipt of rewards given by employers to recipients of work for work or services that have been and will be performed and serve as a guarantee of the survival of a decent life for humanity and production (Yusuf, 2015).

METHODS

The method to be used in this study is a quantitative approach. Quantitative or statistical methods are used to test established hypotheses. The use of quantitative approaches in this study is because the author wants to explain and analyze the relationship/correlation/influence between phenomena (variables) independent of the dependent variable, as well as between dependent variables expressed in the form of other equation models to be studied.

The data to be used in this study is secondary data in the form (time series) from 2007-2021. Secondary data is data that is already available and can be directly used by the author in conducting his research (Sugiyono, 2016). The data sources to be used in this study are from the Central Bureau of Statistics of Sidoarjo Regency, National Single Window for Investment,

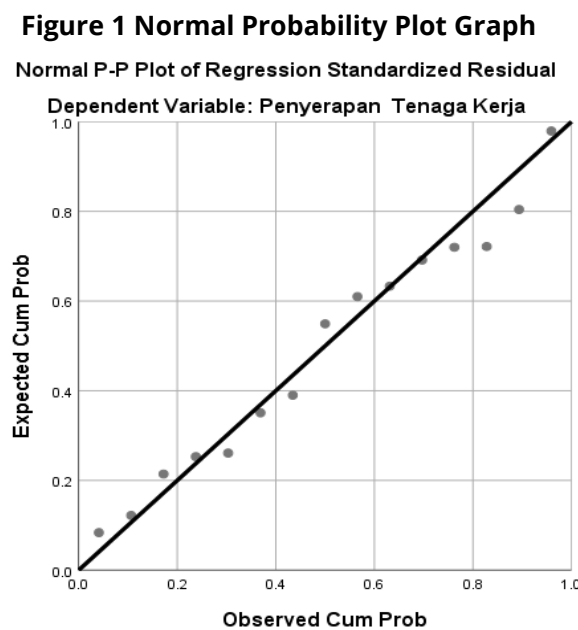
journals, and other sources that are related to the research topic. This study used a statistical measurement tool in the form of IBM SPSS Statistics Version 25.

The data to be used in this study include; (1) Sidoarjo Regency Employment Data for 2007-2021; (2) Economic Growth Data of Sidoarjo Regency for 2007-2021; (3) Data on PMDN Investment Value of Sidoarjo Regency for 2007-2021; (4) Minimum Wage Data of Sidoarjo Regency for 2007-2021.

RESULTS

Normality Test

In testing whether the data is normally distributed or not which can be seen using the Normal Probability Plot where there is a spread of points on the diagonal axis of the graph. If the distribution of data (points) follows the direction of the diagonal line, it can be seen that the data is normally distributed.



Source: SPSS Output Results

Based on figure 1 above, it can be seen that the distribution of data (points) follows a diagonal line so that it can be concluded that the data is normally distributed.

Multicollinearity Test

This test is used to test whether or not there is a correlation in the independent variable or independent variable. Independent variables that do not have a dependent correlation are good regression models or can be said to not occur in multicollinearity.

Table 1 VIF Value And Tolerance Coefficients Value

Type	Collinearity Statistics	
	Tolerance	VIF
X1 = Economic Growth	0,279	3,579
X2 = Domestic Investment	0,601	1,664
X3 = District Minimum Wage	0,295	3,391

Source: Data Processed, 2021

Based on table 1 above, the tolerance values of all independent variables have a tolerance value of more than 0.10 and a VIF value of less than 10.00. Therefore, it can be concluded that independent variables do not occur multicollinearity.

Heteroscedasticity Test

Table 2 Heteroscedasticity Glacier Test Results

Coefficients						
Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8672.428	5633.995		1.539	0.152
	Economic Growth	4.689E-05	0.000	0.248	0.473	0.645
	Domestic Investment	-0.001	0.002	-0.302	-0.846	0.416
	District Minimum Wage	0.002	0.004	0.279	0.548	0.595

a. Dependent Variable: Abs_RES

Source: SPSS Output Results

In the results of the calculation above, it is known that the significance value of the Economic Growth variable is $0.645 > 0.05$, so it can be concluded that the Economic Growth variable does not have heteroscedasticity problems. Furthermore, the Domestic Investment variable has a significance value of $0.416 > 0.05$, so it can be concluded that the Domestic Investment variable does not have heteroscedasticity problems. Next, the District Minimum Wage variable has a significance value of $0.595 > 0.05$, it can be concluded that the District Minimum Wage variable does not cause heteroscedasticity problems.

Autocorrelation Test

Table 3 Autocorrelation Test Results

Type	N	k	DI	Du	Durbin-Watson	4-dL	4-dU
1	15	3	0,8140	1,7501	2,091	3,186	2,2499
a. Predictors: (Constant), District Minimum Wage, Domestic Investment, Economic Growth							
b. Dependent Variable: Employment							

Source: Data Processed, 2021

Based on the table above, the value of D-W can be known as 2.091, this value will be compared with the value of the significance table of 5%, with the number of data 15 (n) and the number of independent variables 3 ($k = 3$), then obtained the value of dU of 1.7501 and the value of (4-dU) or $4 - 1.7501 = 2.2499$, then it can be used as $dU (1.7501) < DW (2.091) < 4-dU (2.2499)$. So it can be concluded that the data does not exhibit autocorrelation symptoms or is autocorrelation-free.

Multiple Linear Regression

Table 4 Multiple Regression Calculation Results

Coefficients								
Type	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	8.527	10879.519		73.116	0.000		
	Economic Growth	0.002	0.000	0.794	8.221	0.000	0.279	3.579
	Domestic Investment	0.001	0.003	0.014	0.219	0.831	0.601	1.664
	District Minimum Wage	0.016	0.007	0.211	2.245	0.046	0.295	3.391
a. Dependent Variable: Employment								

Source: SPSS Output Results

Based on the table above shows the regression equation that can be seen in the Unstandardized Coefficient (B) section, which is as follows:

$$PTK = 8.527 + 0.002 PE + 0.001 PMDN + 0.016 UMK + e$$

1. Constant a is 8,527, this number is a constant number which means that if the variables Economic Growth, Domestic Investment, and District Minimum Wage are 0 then the variable Employment is 8,527.
2. The value of the regression coefficient of the Economic Growth variable (X1) is positive at 0.002. This number means that for every additional value of 1 unit in the Economic Growth variable (X1), the value of the Labor Absorption variable will increase by 0.002 units assuming other independent variables have a fixed value.
3. The value of the regression coefficient of the Domestic Investment variable (X2) is positive, which is 0.001. This number means that for every additional value of 1 unit in the Domestic Investment variable (X2), the value of the Labor Absorption variable will increase by 0.001 units assuming other independent variables the value is fixed.
4. The regression coefficient value of the District Minimum Wage variable (X3) is positive at 0.016. This figure means that for every additional value of 1 unit in the District Minimum Wage variable (X3), the value of the Labor Absorption variable will increase by 0.016 units assuming other independent variables have a fixed value.

Statistical Test

a. Coefficient of Determination (R2)

The coefficient of determination (Adjusted R Square) of the regression results shows how much the dependent variable can be explained by its independent variables.

Table 5 Results Of The Coefficient Of Determination (R2)

Model Summary					
Type	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.986	0.971	0.964	19260.689	2.091
a. Predictors: (Constant), District Minimum Wage, Domestic Investment, Economic Growth					
b. Dependent Variable: Employment					

Source: Processed Data, 2021

Based on table 5 above, shows that the magnitude of the value of the coefficient of determination (Adjusted R Square) is 0.964. This means that the contribution of Economic Growth, Domestic Investment, and Minimum Wage to Employment is 96.4%. In comparison, the remaining 3.6% is explained by other variables or other factors not explained in this study.

b. Simultaneous Test (F)

Table 6 F Test Results

ANOVA						
Type		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	138449721951.613	3	46149907317.204	124.402	0.000
	Residuals	4080715507.720	11	370974137.065		
	Total	142530437459.333	14			
a. Dependent Variable: Employment						
b. Predictors: (Constant), District Minimum Wage, Domestic Investment, Economic Growth						

Source: SPSS Output Results

Based on table 6 above, it shows that the independent variable has a P-value value of 0.000 where this probability value is below 0.05. Thus, in accordance with the provisions in the test criteria, if the probability value (0.000) < (0.05) then it can be concluded that the variables Economic Growth, Domestic Investment, and District Minimum Wage together affect the Employment in Sidoarjo Regency.

c. Partial Test (t)

Table 7. Test Results t

Variable	P-Value	Sig.	Decision
Economic Growth (X1)	0.000	0,05	Influential
Domestic Investment (X2)	0.831	0,05	No Effect
District Minimum Wage (X3)	0.046	0,05	Influential

Source: Processed Data, 2021

Based on table 7 above, shows that the Economic Growth variable (X1) has a P-value value of 0.000. The District Minimum Wage variable (X3) has a P-value value of 0.046 where both variables have a significant value below 0.05 which means it can be concluded that the variables of Economic Growth and District Minimum Wage affect the Employment in Sidoarjo Regency. Meanwhile, Domestic Investment (X2) has a P-value value of 0.831 which is greater than the significant value of 0.05 which means that Domestic Investment has no effect on Employment in Sidoarjo Regency.

DISCUSSION

Analysis Of The Effect Of Economic Growth On Employment

Economic Growth has an influence on Employment in Sidoarjo Regency. This means that every increase in Economic Growth increases the number of workers in Sidoarjo Regency. The economy of a region is said to experience growth if the production of goods and services increases from the previous year, but in this study, any growth in the production of goods and services can affect the increase in employment.

The positive relationship between the economic growth rate and labor absorption is caused by an increase in production capacity, so entrepreneurs tend to add labor to their

production activities to meet consumer needs. In addition, the contribution of each sector to economic growth is mostly supported by the industrial sector in Sidoarjo Regency which is also the sector that has the highest contribution to employment.

This is in line with research conducted by Kurnia Tahir (2018), entitled *The Effect of Economic Growth, Investment, Provincial Minimum Wage on Employment in South Sulawesi* where the variable of economic growth has a positive and significant effect on employment, this shows if there is an increase in the value of GDP in economic sectors that will be able to increase the amount of labor that will be available.

Analysis Of The Effect Of Domestic Investment On Employment

Domestic Investment does not affect the absorption of labor in Sidoarjo Regency, because business owners in using their investment are more likely to purchase capital goods in the form of machines to support the company's production process which aims to improve production quality and increase the productivity of goods and services more effectively and efficiently, due to the use of these machines, the absorption of labor becomes low.

This is in line with research conducted by Evie Silfiana (2023), entitled *Determinants of Labor Absorption in East Java Province*, where the PMDN Investment variable has a significant negative influence on Labor Absorption in East Java Province. This shows that if there is an increase in investment variables, it will reduce employment.

Analysis Of The Effect Of Minimum Wage On Employment

Minimum Wage Affects Employment in Sidoarjo Regency. This means that every increase in Economic Growth increases the number of workers in Sidoarjo Regency. The economy of a region is said to experience growth if the production of goods and services increases from the previous year, but in this study, any growth in the production of goods and services can affect the increase in employment.

The increase in MSEs in Sidoarjo Regency can encourage workers to get jobs also for the business sector, this minimum wage increase is not addressed by company management to reduce the number of workers but to be used as a strategy in improving worker performance that can encourage high productivity and ultimately will reduce the existing unemployment rate and absorb labor.

The results of a previous study conducted by Wildan (2018) entitled *The Effect of Investment, Economic Growth Rate and Wages on Employment in Bogor Regency* which is in line with this study which states that a significant level of minimum wage affects people's purchasing power which results in increased demand and is followed by more and more companies entering the market so that the absorption of labor carried out by The company will also increase and with the increased wage level employers will try to get a level and increase the number of business units so that it is expected that with the addition of business units, entrepreneurs will also increase the number of their workforce.

CONCLUSION

Based on the results of the research described earlier, it can be concluded that the variables of economic growth and minimum wage in Sidoarjo Regency influence Labor Absorption because economic growth with labor absorption is caused by an increase in production capacity, so entrepreneurs tend to add labor to their production activities in meeting consumer needs. In addition, the contribution of each sector to economic growth is mostly supported by the industrial sector in Sidoarjo Regency which is also the sector that has the highest contribution to employment.

The minimum wage that continues to increase in Sidoarjo Regency can increase for entrepreneurs who are striving to be able to increase and increase the number of business units

so it is expected that with the addition of the number of business units, entrepreneurs will also increase from the absorption of labor.

Domestic investment does not affect labor absorption because each PMDN investment area should be balanced with PMA investment to support economic improvement in attracting investors in Sidoarjo Regency.

SUGGESTION

1. The Regional Government of Sidoarjo Regency should encourage and spur increased Economic Growth by encouraging investment in every economic sector to increase Employment in Sidoarjo Regency.
2. The local government of Sidoarjo Regency should also encourage investment in labor-intensive sectors and be more selective in granting permits for capital owners related to projects to be realized so that they can absorb more workers.

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