Analysis of Labor Absorption  
Province of South Sumatera  

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**Keyword:** Labor Force, domestic investment, foreign investment

**Abstract:** This study aims to find out how is the level of employment and the influence of economic growth, investment (domestic investment and foreign investment), and provincial minimum wage affect it in the province of South Sumatra. The analytical tool used is Multiple Linear Regression with data obtained is secondary data that is economic growth, domestic investment, foreign investment, provincial minimum wage, and number of labor in South Sumatera Province during period 2006-2015. The results showed that the absorption of labor force in South Sumatra during the period 2006-2015 has a fluctuated value. More than 50 percent of the workforce is absorbed in the agricultural sector. The rest is mostly absorbed by the trade and services sectors. Based on the regression result, it is found that economic growth, domestic investment, foreign investment have a significant and positive effect on employment, while provincial minimum wage also has significant influence but has negative relation to employment in South Sumatera Province.

1 **INTRODUCTION**

Theoretically there is a link between economic development, economic growth and the level of employment. If economic growth increases, it means that there is an increase in the production capacity of goods and services in a region, so that theoretically this increase indicates an expansion in production activities which then increases employment in various economic sectors. Thus the wheels of the economy will continue to roll so as to achieve the goals of economic development itself.

(Dornbusch, Fischer and Startz, 2001) states that national output (as a representation of economic growth) is a function of physical capital, labor and technological progress achieved. An important factor that influences the procurement of physical capital is investment, in the sense that high economic growth is expected to have a positive impact on employment rates. The relationship between economic growth and theoretical employment is also demonstrated through Okun's Law. (Mankiw, 2007) Okun's law is a negative relationship between unemployment and GDP, which refers to a decline in unemployment of one percent associated with additional growth in GDP which is close to two percent. In other words, Okun's Law illustrates that if GDP increases by two percent, there will be an increase in employment which then decreases the unemployment rate by one percent.

South Sumatra Province is one of the provinces in Indonesia that has fluctuated in its economic growth rate. Table 1.1 below illustrates the development of the South Sumatra Province GRDP from 2012-2015.
Table 1: Development of GDP in South Sumatra Province 2010-2015 period (in million Rupiah)

<table>
<thead>
<tr>
<th>South Sumatra PDRB Period</th>
<th>Period</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GRDP based on constant 2010 prices</td>
<td>232.175.048</td>
<td>206.360.699</td>
<td>220.459.198</td>
<td>232.175.048</td>
<td>243.093.768</td>
<td>254.022.862</td>
</tr>
<tr>
<td></td>
<td>% Growth</td>
<td>5.31</td>
<td>6.36</td>
<td>6.83</td>
<td>5.31</td>
<td>4.70</td>
<td>4.50</td>
</tr>
</tbody>
</table>

Source: Processed from “Province of South Sumatra in Figures 2016” (BPS)

Following Figure 1 shows a graph of economic growth and employment in South Sumatra.

From the picture above, it can be seen that economic growth and employment of the Province of South Sumatra have not run the same trend. During 2012-2015 economic growth tended to decline while the absorption of labor experienced a fluctuating growth.

Employment problems in South Sumatra Province are not much different from labor issues in Indonesia in general. Whether it concerns the unemployment rate which is still relatively high, and the level of labor productivity that is still not optimal. One of the biggest challenges is creating jobs or businesses that are feasible for the workforce that must be anticipated from an early age before there is an increase due to changes in the age structure of the population. The challenge includes two aspects at once, namely the creation of new employment opportunities for the workforce who have not yet worked, and the increase in work productivity for those who have worked so that they can obtain adequate employee benefits to live decent lives (Central Bureau of Statistics, 2016).

The problem of employment and unemployment is a serious problem that must be observed by the government. The main factor in the size of the unemployment rate is limited employment. This problem will undoubtedly put heavy pressure on the economy as well as adverse social impacts such as crime and so on. One of the government's strategic steps to create new jobs to reduce unemployment in South Sumatra Province is that the government must raise investment funds from local governments, the central government, the public and foreign investment by improving the business climate and cutting down licensing bureaucracies. It is expected that the increase in investment through PMA and PMDN will stimulate the growth of the production sector which will then increase economic growth which of course also impacts on the increase in employment due to the creation of new jobs.
Table 2: Percentage of Number of Workers by Business Field South Sumatra Province 2012-2015

<table>
<thead>
<tr>
<th>Business field</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary Sector</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Agriculture</td>
<td>56.37</td>
<td>54.86</td>
<td>53.37</td>
<td>54.74</td>
</tr>
<tr>
<td>- Mining</td>
<td>1.38</td>
<td>1.49</td>
<td>1.02</td>
<td>1.56</td>
</tr>
<tr>
<td><strong>Secondary Sector</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Industry</td>
<td>5.58</td>
<td>4.48</td>
<td>5.05</td>
<td>4.7</td>
</tr>
<tr>
<td>- Electricity, Water and Gas</td>
<td>0.19</td>
<td>0.19</td>
<td>0.17</td>
<td>0.17</td>
</tr>
<tr>
<td>- Building</td>
<td>4.01</td>
<td>3.82</td>
<td>4.32</td>
<td>4.54</td>
</tr>
<tr>
<td><strong>Tertiary Sector</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Trade</td>
<td>14.59</td>
<td>15.46</td>
<td>11.96</td>
<td>16.82</td>
</tr>
<tr>
<td>- Transportation / Communication</td>
<td>3.43</td>
<td>3.63</td>
<td>5.65</td>
<td>3.64</td>
</tr>
<tr>
<td>- Finance</td>
<td>2.03</td>
<td>2.24</td>
<td>1.72</td>
<td>1.61</td>
</tr>
<tr>
<td>- Services</td>
<td>12.63</td>
<td>13.44</td>
<td>9.76</td>
<td>12.22</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>%</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td></td>
<td>3,532,932</td>
<td>3,524,883</td>
<td>3,692,806</td>
</tr>
</tbody>
</table>

Source: Central Bureau of Statistics, 2016

Table 1.8 above reveals that the absorption of labor in South Sumatra during 2012-2015 was most prevalent in the agricultural business field. More than half of the total workforce in South Sumatra works in the agricultural sector. The next biggest contribution to labor absorption is in the trade business sector and services (including hotel and restaurant businesses). The smallest business sector absorbing labor is the electricity, water and gas sector.

Based on the theory of labor demand and supply, one of the factors that determines the absorption rate of work is the prevailing wage level. Wage rates in Indonesia are regulated in the minimum wage policy. Minimum wage policy is a wage system that has been widely applied in several countries, which basically can be seen from two sides. First, the minimum wage is a protection tool for workers to maintain that the value of wages received does not decrease in meeting their daily needs. Second, as a protection tool for companies to maintain worker productivity (Simanjuntak, 2001).

The Provincial Minimum Wage tends to continue to increase every year due to changes in components which are the Minimum Wage setting factor. In theory, this certainly affects the demand and supply of labor so that it will have an impact on the amount of employment in the Province of South Sumatra.

2 LITERATURE REVIEW

2.1 Theoretical basis

2.1.1 Theory of Labor

(Ehrenberg and Smith, 2012) labor is a person who is over 16 years old and is being employed by a company.

Manpower is a population in working age (aged 15-64 years) or the total number of residents in a country who can produce goods and services if the demand for their workforce, and if they want to participate in these activities (Subri, 2003).

2.1.2 Labor Supply and Demand

The demand for labor is related to the amount of labor needed by the company or the instant of a certain staff. Usually the demand for labor will be influenced by the level of wages and changes in other factors that affect demand for production (Afrida, 2003).

The supply of labor is a function of wages, so the amount of labor offered will be affected by the level of wages. The supply of labor is influenced by someone's decision whether he wants to work or not. This decision depends also on a person's behavior to use his time, whether used for work, or used for other activities that are relaxed (unproductive but consumptive), or a combination of both. If it is
associated with the level of wages, then the decision to work someone will also be influenced by the high and low income of someone. That is, if the labor income is relatively high enough, then the workforce tends to reduce the time allocated for work (Sumarsono, 2009).

2.1.3 Employment Opportunities and Absorption of Labor

Job opportunities contain the notion that the amount of willingness of the production business to employ labor is needed in the production process, which can mean jobs or opportunities available to work that exist from one moment of economic activity. Job opportunities can be created if there is a demand for labor in the labor market, so that in other words employment opportunities also show demand for labor.

The growth of employment opportunities will certainly be accompanied by an increase in the level of employment. (Simanjuntak, 2001), employment is a population that works absorbed and spread across various sectors.

2.1.4 Theory of Economic Growth

Economic growth (economic growth) is closely linked to the increase in the production of goods and services, which among others is measured by the amount called gross domestic product (GDP) at the national level and gross region domestic product (GRDP) for regions, both provinces and districts / cities. (Central Bureau of Statistics, 2016) calls economic growth a growth in real production, both in sector and in totality. Called real production growth because prices are used in assessing a production from year to year using prices in a given year so that price changes (inflation) do not affect the value of production.

2.1.5 Wage

The provision of wages for labor in a production activity is basically a reward or remuneration from producers to workers for their achievements that have been donated in production activities. The wages given depend (Sulistiaawati, 2012): (a) The cost of minimum living necessities for workers and their families; (b) Binding Laws concerning minimum wages for workers; (c) Marginal productivity of labor; (d) Pressure that can be given by trade unions and employers’ unions; (e) Different types of work.

2.1.6 Minimum wage

The minimum wage policy in Indonesia is determined by the government to ensure the welfare of workers. Many events have occurred in Indonesia about workers’ conflicts with employers. Workers who force employers to raise wages while employers who object to rising wages, the government applies the drinking wage policy. Determination of minimum wages in accordance with Minister of Manpower Regulation No. 1 of 1999 article 1 paragraph 1. (Sumarsono, 2009), there are three components of minimum wages: (a) Minimum Physical Needs (KFM); (b) Consumer Price Index; and (c) Regional economic growth. In the 2012 Minister of Manpower Regulation No. 13, the factors considered in determining minimum wages are: (a) Value of Decent Life Needs (KHL); (b) Macro productivity (comparison of the number of Gross Regional Domestic Products (GRDP) with the number of workers in the same period); (c) Economic Growth (GRDP Value); (d) Labor market conditions (comparison of the number of employment opportunities with the number of job seekers in a particular area in the same period); (e) Conditions for businesses that are not (marginal), indicated by the development of the existence of a number of marginal businesses in a particular area in the same period. 23 Determination of minimum wages is calculated based on Minimum Physical Needs (KFM), Then changes in calculations occur based on Minimum Life Needs (KHM).

2.1.7 Investation

Investment can be interpreted as spending or spending on investments and production equipment to increase the ability to produce goods and services available in the economy (Sukirno, 2010). Machines are driven by labor or resources and materials managed by humans. (Samuelson, 2005), investment involves adding capital stocks or inventory items within one year.

Investment is essentially the beginning of economic development activities. Investments can be made by private sector, government or cooperation between the government and the private sector. Investment is a way that can be done by the government to increase economic growth and for the long term can increase the living standards of its people (Mankiw, 2007).

Based on its origin, investment can be divided into two types, namely:
1. Domestic Investment or Domestic Investment (PMDN).
According to Regulation Number 27 of 2007 concerning Investment, what is meant by domestic capital is part of the wealth of the people of Indonesia, including rights and objects, both state-owned and national or private, which are domiciled in Indonesia, which set aside / provided to run a business.

2. Foreign Investment or Foreign Investment (PMA)
Foreign investment is capital owned by a foreign country, an individual from a foreign country, a foreign business entity, a foreign legal entity, and / or an Indonesian legal entity which is partly or wholly owned by a foreign party. Foreign investment is an investment activity to do business in the territory of the Republic of Indonesia carried out by foreign investors, both those who use foreign capital fully and share with domestic investors.

2.2 Previous Research
(Chusna, 2013) reviewing the influence of the growth rate of the industrial sector, investment, and wages on the absorption of industrial sector labor in the Central Java province in 1980-2011. This study was analyzed using multiple linear regression analysis. The conclusion of this study shows that industrial sector growth shows a declining trend while investment, wages and labor absorption in the industrial sector shows an increasing trend, the growth rate of the industrial sector does not affect the absorption of industrial sector employment, while investment and wages affect absorption industrial sector workforce in Central Java.

(Darman, 2013) examines the effect of economic growth on the unemployment rate: Okun's Legal analysis. This study uses time series data from 1990-2013. The method used is the difference version of Okun's law Okun gain coefficient and analysis of ordinary least squares (OLS) to obtain regression coefficients. The results of the study indicate that Okun's law applies in Indonesia, where the Okun coefficient is negative. The unemployment rate tends to increase along with the achievement of GDP growth.

(Dimas and Woyanti, 2009), conducted research on employment absorption in DKI Jakarta in 1990-2004. The analysis technique used is multiple linear regression. The results indicate that GDP growth has a positive effect on employment in Jakarta, while the variable wage and investment negatively affect employment. These negative effects caused by a more focused investment coming to the capital-intensive business than labor-intensive, so that investment does not increase employment.

(Sobita and Suparta, 2014) conducted research on economic growth and employment in Lampung, the period 2008-2012. The data analysis method used is quantitative data analysis (statistics) using panel data analysis. These results indicate that the independent variable and the real GRDP Capital prices in agriculture significantly positive effect on employment. The increase in real GDP and capital in agriculture will increase employment. Meanwhile the real wage variable significantly has a negative effect on employment. Increase in real wages will reduce employment.

(Sulistiaawati, 2012) conducted a study on the effect of minimum wages on employment and social welfare in the province in Indonesia 2006-2010. The analytical method used is the path analysis model. These results indicate that the minimum wage increase will reduce the use of labor with low productivity that is generally absorbed in the primary sector, the sector that absorbs most of the manpower. Second, the absorption of labor has a positive but not significant effect on social welfare. The influence of employment on social welfare has path coefficient of 0.08 with a significance probability value (Sig) of 0.332. The results of this study showed that the increase in employment did not cause an increase in social welfare in the provinces in Indonesia because: (1). The minimum wages received by workers is lower than the minimum basic needs, (2) the minimum wage earned by a lower level of tax revenue.

(Mahall, 2008) examining employment opportunities and economic growth in the city of Medan. The analysis tool used is the elasticity calculation formula. Using the concept of elasticity found the results of that labor elasticity coefficient of 0.207% (Inelastic), means that for every 1% of economic growth led to employment opportunities open to 0.207%. While the most sensitive sectors for employment in financial services with employment elasticity coefficient of 1.023% (elastic). On the demand side, the average education level of workers is occupied by Diploma III (40.67%). Followed by postgraduate level of 30.67% and secondary school (25.33%) until 2010

(Arida, Zakiah and Julaini, 2015) conducted research on the analysis of labor demand and supply in the agricultural sector in Aceh Province. Analysis of the data used in this study using an econometric model with multiple single equation is the method of
ordinary least squares (OLS) or the method of least squares. The results of the analysis of labor supply shows that the variable of labor in the agricultural sector and rural employment has a positive effect and significant effect on labor supply, while the variable quality of the population have a positive effect but not significant to labor supply.

3 RESEARCH METHODS

3.1 Types and Data Sources
The type of data used in this study is secondary data released by the Central Sumatra Provincial Statistics Agency (BPS). Data collected is data on Gross Regional Domestic Product (GRDP) at constant prices, PMA and PMDN investment data in South Sumatra, data on South Sumatra provincial minimum wage development, and data on the number of people working in the economic sectors of South Sumatra Province. The data studied are data for the period 2006-2015. Data collection methods used through the library approach (Library Research), which is done by getting secondary data derived from the data of the relevant agencies.

3.2 Data analysis technique

3.2.1 Multiple Regression
The analytical tool used in this study is multiple regression analysis using the Ordinary Least Square (OLS) method or the least squares method through SPSS 23 software.

For an analysis of the employment of South Sumatra, the models formed are as follows:

\[ PTkP = \beta_0 + \beta_1 PE + \beta_2 PMDN + \beta_3 PMA + \beta_4 UMP + \epsilon \quad (3.1) \]

Information:
- \( PTkP \) = Manpower Absorption
- \( PE \) = Economic Growth
- \( PMDN \) = Domestic Investment
- \( PMA \) = Foreign Investment
- \( UMP \) = Provincial Minimum Wage
- \( \beta_0 \) = Constants
- \( \beta_1 - \beta_4 \) = Regression coefficient
- \( \epsilon \) = error term (confounding variable)

4 RESULTS AND DISCUSSION

4.1 Determination Coefficient

4.1.1 Regression Estimation Results
The following are the estimation results obtained through regression calculations.

Table 3: Summary of Regression Output

<table>
<thead>
<tr>
<th>REGRESSION RESULTS</th>
<th>VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>R square</td>
<td>0.936</td>
</tr>
<tr>
<td>Konstanta (( \alpha ))</td>
<td>2,999,917,543</td>
</tr>
<tr>
<td>Koefisien Regression 1 (( \beta_1 ))</td>
<td>0.732</td>
</tr>
<tr>
<td>Koefisien Regression 2 (( \beta_2 ))</td>
<td>0.717</td>
</tr>
<tr>
<td>Koefisien Regression 3 (( \beta_3 ))</td>
<td>0.723</td>
</tr>
<tr>
<td>Koefisien Regression 4 (( \beta_4 ))</td>
<td>-0.628</td>
</tr>
<tr>
<td>Standard error</td>
<td>129,706,101</td>
</tr>
<tr>
<td>Durbin Watson (DW)</td>
<td>2.459</td>
</tr>
<tr>
<td>( F ) – count</td>
<td>18,201</td>
</tr>
<tr>
<td>( T ) – count variabel:</td>
<td></td>
</tr>
<tr>
<td>- Economic growth</td>
<td>3,077</td>
</tr>
<tr>
<td>- Domestic investment</td>
<td>3,325</td>
</tr>
<tr>
<td>- Foreign Investment</td>
<td>2,876</td>
</tr>
<tr>
<td>- Provincial minimum wage</td>
<td>-3,129</td>
</tr>
</tbody>
</table>
From the table above, it is found that the coefficient of determination (R² / R square) is 0.936. This means that the independent variable is influenced by the dependent variable of 93.6 percent while the other 6.4 percent is determined by other variables which are outside the regression model.

Based on the regression coefficient value (β1 value) it can be concluded that the increase in labor absorption by 1% is driven by an increase in economic growth of 0.732%. While based on the regression coefficient value (β2 value) states that the increase in employment by 1% is driven by an increase in domestic investment by 0.717%. Then based on the regression coefficient value (β3 value) it can be concluded that the increase in employment is 1% driven by a decrease in provincial minimum wages of 0.628%.

Based on the constant value, standard error, and regression coefficient obtained in the table above, the regression equation formed is as follows:

\[ P7% = 2.899917546 + 0.732 PEG + 0.717 PMDN + 0.628 PMA - 0.628 UMWP + 129.766104 \]

The regression coefficient value is positive for the variable economic growth, PMDN, and PMA shows a unidirectional relationship, which means that the increase in these variables will cause an increase in employment or vice versa. The regression coefficient is negative for the minimum wage variable, indicating the opposite relationship, that is, if the minimum wage increases, it will tend to reduce the amount of employment or vice versa.

This regression model has also gone through a series of classic assumption tests, namely the test for normality, multicollinearity, heterocedasticity, and autocorrelation. The classic assumption test results show the regression model does not show any classical assumption deviations.

4.2 Test Statistics

4.2.1 Test F (Simultaneous)

The calculated F value as described in the regression estimation results above is 18.201. With a probability of 0.05, the degree of freedom 1 (df1 = k - 1) is 4 and the degree of freedom 2 (df 2 = n - k) is 7, then the F table value is obtained at 5.19. By comparing F count with F table, it can be found that the calculated F value is greater than F table. It can be concluded that the variables of economic growth, PMDN, PMA and provincial minimum wages simultaneously have a significant effect on employment absorption variables.

4.2.2 Test t (Partial)

The value of t calculated on each variable has been presented in table 4.10 above. For t table values obtained with a probability of 0.05 testing in two directions, the degree of freedom (df = n - k) value is 5, so that the t value of the table is equal to 2.57058. By comparing t count with t table, the conclusions are as shown in the following table.

<table>
<thead>
<tr>
<th>No.</th>
<th>Free variable</th>
<th>T-count value</th>
<th>T-table value</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Economic growth</td>
<td>3.077</td>
<td>2.57058</td>
<td>Significant</td>
</tr>
<tr>
<td>2</td>
<td>Domestic Investment</td>
<td>3.325</td>
<td></td>
<td>Significant</td>
</tr>
<tr>
<td>3</td>
<td>Foreign Investment</td>
<td>2.876</td>
<td></td>
<td>Significant</td>
</tr>
<tr>
<td>4</td>
<td>Provincial Minimum Wage</td>
<td>-3.129</td>
<td></td>
<td>Significant</td>
</tr>
</tbody>
</table>

Source: Processed data, 2017

From the table above, it can be seen that the t value of all independent variables is greater than t-table so that the conclusions taken are that each independent variable has a significant influence on employment. The negative sign at the t value of the variable minimum wage shows the opposite relationship between the provincial minimum wage and employment.

4.3 Discussion

4.3.1 Effect of Economic Growth on Labor Absorption

Economic growth is the most dominant variable influencing labor absorption. This research has shown that if there is an increase in the value of production of goods and services in the economy of
South Sumatra in a certain period, it can be predicted that there has been an increase in the use of labor in that period. Some theoretical studies suggest that economic growth has a reciprocal relationship with employment. This means that economic growth can encourage the business sector to increase the use of labor or economic growth can grow due to an increase in the use of labor resulting in increased production.

4.3.2 Effect of PMDN and PMA on Manpower Absorption

Investment through PMDN and PMA plays an important role in supporting the development of the South Sumatra business sector. Investment fund injections are able to move the government and the private sector to increase production capacity through increasing technology or increasing employment and opening new jobs. If more investment funds are directed towards improving technology in this case, for example, the addition of machinery and production equipment, investment is not able to encourage an increase in employment significantly. This is because if investment is more inclined to increase capital, namely machinery and production equipment, then certainly there is no increase in the use of labor. However, if more investment funds are allocated to increase production capacity through increasing the number of workers or opening new production branches, then the role of investment is clearly able to encourage the growth of the use of new workers. In the Province of South Sumatra more investment is allocated to projects that are not only capital intensive but are more directed to labor intensive especially in the small and medium business sector.

4.3.3 Effect of Minimum Wages on Labor Absorption

Provincial Minimum Wages have a significant influence on employment. Provincial minimum wages also have a negative relationship to labor absorption. This is consistent with the theory that wage rates will always be the opposite of the amount of labor use. The minimum wage level will always be a consideration for the business sector in making additional use of labor.

(Tarmizi, 2012) argues that the minimum wage will reduce the number of workers, and then it will cause unemployment if based on the model of demand and supply in the labor market.

Basically, the application of minimum wages serves to prevent the exploitation of companies against labor through low wages. Related to the above, in practice companies that are not willing to pay at the minimum wage level that is determined assuming the minimum wage is greater than the market wage, then the company will do efficiency by reducing the use of labor. While companies that are willing to pay at the minimum wage level will usually exploit labor in the form of adding workloads to workers. On the other hand, setting minimum wages can also make companies increase the price of their products to cover the increase in their wage costs so that it can trigger inflation. Secara keseluruhan, model regresi yang dibangun telah menjelaskan bahwa pertumbuhan ekonomi, penanaman modal dalam negeri, penanaman modal asing, serta upah minimum memiliki peran yang signifikan terhadap tingkat penyerapan tenaga kerja di Provinsi Sumatera Selatan. Peningkatan pertumbuhan ekonomi, PMDN dan PMA akan mampu meningkatkan penyerapan tenaga kerja, namun sebaliknya peningkatan Upah minimum akan cenderung menghambat penyerapan tenaga kerja di Sumatera Selatan.

5 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion

Based on the description above, the following conclusions can be drawn:
1. Conditions for employment in South Sumatra during the period 2006-2015 have fluctuated in number. More than 50 percent of the workforce is absorbed in the agricultural sector. The rest is mostly absorbed by the trade sector and services.
2. Based on the results of data processing through regression it was found that economic growth, PMDN, and PMA had a significant and positive effect on labor absorption. That is, the higher the level of economic growth, PMDN, and PMA will tend to increase employment rates. While the provincial minimum wage has a significant but negative influence. This means that the increase in minimum wages will tend to reduce the amount of employment.

5.2 Recommendation

The suggestions that the author can give are as follows:
1. Given the large role of investment in employment in South Sumatra, the effort to create a healthy business climate, infrastructure development, and
ease of bureaucracy is very important to be realized in South Sumatra in order to be able to attract investors to invest. The South Sumatra Provincial Government must develop an appropriate and effective policy strategy related to this problem.

2. The author realizes that there needs to be further in-depth research with alternatives to adding other variables, adding years of data series, or using other analytical tools to obtain a better picture of the factors that affect employment in South Sumatra.

REFERENCES


