
THE EFFECT OF INVESTMENT AND MINIMUM WAGES ON LABOR ABSORPTION FOR SMALL INDUSTRY IN GOWA DISTRICT

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Abstract

The Effect of Investment and Minimum Wage on Employment of Small Industry in Gowa Regency. This study aims to determine the effect of investment and minimum wages on the absorption of small industrial workers in Gowa Regency in the 2016-2020 period. The type of research used in this study is descriptive quantitative. The data used is secondary data obtained in ready-made form from the Department of Industry and Trade (DISPERINDAG) and the Department of Manpower and Transmigration (DISNAKERTRANS) during 2016-2020. The data analysis technique in this study is multiple regression analysis using SPSS. Based on the results of multiple regression analysis, it can be concluded that investment has a positive and significant effect on employment in the industrial sector and the minimum wage has a positive and insignificant effect on employment.

Keywords: *Investment, Minimum Wage, Labor.*

1. INTRODUCTION

Economic development is very important. Because when we talk about economic development, we mean that there is a development process with economic growth followed by some changes. These changes include changes in economic structure (from agriculture to industry or services) and institutional changes through regulation and institutional reform itself (Mudrajad Kunchoro (2009)). Almost all countries in the world are promoting their industrial sectors to achieve high efficiency and utility value and to create high competitiveness with neighboring countries, and economic growth is closely related to industry.

But Indonesia also does not want to be left behind. The development of industrialization in Indonesia has been increasing year by year, which has been proven to be accompanied by economic growth. Furthermore, Indonesia has a large population and is one of the most populated countries in the world. At the same time, he has one very large domestic market that meets the needs of the people. Assume that the industrial sector can lead other economic sectors to economic development. Therefore, Indonesia's industrial

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sector is poised not only to promote the development of related industries, but also to become a driving force and leader (leading sector) in the development of other economic sectors.

Investment can be interpreted as the cost of capital expenditure, or business expenditure for the purchase of goods, capital and production equipment to increase the capacity of the economy to produce the goods and services available. Mudaram's Skirno (2011). As investment in industry increases, so does employment. As the investment increases, so does the number of companies in the industry. As the number of firms increases, so does the amount of production, which increases employment and reduces the number of unemployed. In other words, employment increases.

Based on Keynes theory, there is a positive relationship between investment and employment. H. The more investment, the more labor input. Within the framework of economic development, in the process of creating jobs and employment opportunities, especially with respect to employment, it is better to aim at industrial development, especially in the workplace. Investment creates jobs, but it also leads to increased investment in labour-intensive sectors, which can create productive jobs with limited investment capital.

Economically, efforts to boost economic growth and reduce the number of unemployed have failed to reduce the number of existing unemployed. In addition to its limited capacity to foster economic growth, its relatively low and declining capacity to create employment opportunities has led to high levels of unemployment. Labor absorption is also inseparable from the government's role as a policy maker in supporting strategies to create a favorable investment climate and achieve high economic growth. Government policies that set state minimum wages are also often a reason why employers prefer capital-intensive industries. Economic stability is also necessary to ensure the smooth functioning of the economy.

In the Gowa district, the development of various industrial sectors, including large-scale and small-scale industries, will not only create jobs, but will also become a driving force for economic growth in the Gowa district. Expected. Income for training. To create employment opportunities, small-scale industry as an industry is suitable for this purpose. This is because the role of small-scale industries, even in national and regional contexts, is essentially to absorb labor, and in this context it fits well. Government efforts to reduce unemployment, fight poverty and achieve equal income distribution.

To keep pace with population growth, we need to provide sufficient employment opportunities. Improving the quality of human resources is also essential, as human resources are the capital of development. The availability of a large workforce is an important asset in carrying out development in various sectors if it is absorbed into this sector and harnessed, nurtured and employed to create an effective workforce. will be The issue of providing employment opportunities in Gowa District is very important considering the situation of the population which continues to increase year by year. Due to population

growth, the number of workers increased in Gowar Regency. Industrial sectors with high added value are expected to absorb more workers.

2. LITERATURE REVIEW AND HYPOTHESIS

a. Investment theory

Investment is one of the most important sources of financing for regional economic development, and there are two types of investment: private investment and government investment. Government investments are investments made by the government but not for profit. These are therefore the investments governments must make to provide public goods, physical and non-physical capital goods, for the purpose of social welfare.

According to Sukirno (2002), investment can be interpreted as outlay or corporate capital expenditure to purchase capital goods and production equipment to increase capacity to produce goods and services. The level of investment in economic activity is determined by factors such as interest rates, income levels, technological progress, and expectations of future economic conditions. In line with Mankiw (2003), investments consist of goods purchased for future use.

b. Minimum Wage Theory

Minimum Wage is the lowest monthly income paid by an employer to an employee for work or services performed, expressed or assessed in monetary form, determined and paid pursuant to an agreement under a contract of employment or law. This includes benefits for both employees themselves and their families.

The minimum wage is intended to enable a decent life. In other words, the setting of minimum wages should be adapted to the stage of achieving minimum wage ratios with a decent standard of living as decided by the Minister. It is stipulated in the Republic of Indonesia Labor Law No. 13/2003, which stipulates that the minimum wage must be based on a decent standard of living (KHL). Minimum wages are set by the Governor taking into account the recommendations of the State Wages Council and/or the Regent/Mayor. The implementation of elements and procedures to achieve the needs of humane living is regulated by ministerial ordinances.

c. Accept the job

Employment is a specific amount of work employed in a business unit. "Labor absorption is the number of workers available in an area." Employment uptake relates to the amount of labor required by a particular firm or agency. This demand for labor is affected by changes in wage rates and changes in other factors that affect the level of demand for products, such as changes in market demand for production by firms. These factors affect the price of capital goods in mass production. The value of machines and tools used in the production process.

Therefore, referring to the above explanation, we can conclude that labor demand is the overall ratio between the various wage levels and the number of workers required to be employed. So what we mean by employment in this study is the number of people working in different sectors, in this case the industrial sector. Employment is also a specific amount of labor employed in a particular line of business, i.e. labor force. Absorption capacity is the number of employees working in a business unit.

d. Industry and SMEs

The term industry comes from the Latin viz. *industria*, which means labor or labour. The term industry can be used broadly and generically and refers to all human activities that meet the needs of life in order to achieve prosperity. According to the Ministry of Industry and Trade (Depperindag), small-scale industry is an economic activity that transforms raw materials and semi-finished products into more expensive goods, in this case helping the industrialization process.

One of the government's policies that has proven to be very effective in developing the industry is to provide entrepreneurs with education and training, especially in technical and managerial proficiency, and to promote the sale of goods in each provincial capital. It is to provide market information through the opening of the market. Industrial development plays a very important role in achieving the industrial development goals, and the industrial sector can meet the needs of the domestic society, thereby reducing the dependence on imports and increasing the export of industrial products themselves. increase. Therefore, there is a need for linkages between small, medium and large industries so that the development of large and medium industries can directly stimulate the development of small industries that can compete with the international market.

3. RESEARCH METHODS

This study is a descriptive quantitative study with an emphasis on numerical data (numbers) processed using statistical methods. Data collection uses time-series data from the Department of Industry and Trade (DISPERINDAG) and the Department of Labor and Immigration from 2016 to 2020.

The population and sample for this study are Gowa County SME investment data (independent variable), wage data (independent variable), and employment data (dependent variable). To materialize the scope of this study, this study uses a time-series system in which the collected data are calculated based on data from the last five years. Therefore, the sample in this study is based on the variables used: investment data, minimum wage and employment from 2016 to 2020.

The data analysis technique used uses the multiple linear regression econometric model analysis tool and is later processed using the SPSS statistical analysis tool. The analytical method used in this study is a multiple regression model.

4. RESULTS AND DISCUSSION

Partial Test Results (t test).

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	16.875	7.531		5.103	.017
Investasi	3.231	1.647	.745	3.564	.025
Upah Minimum	1.187	.218	.363	2.643	.167

a. Dependent Variable: Labor Absorption

Source: SPSS 22 output, secondary data processing in 2021

Based on the hypothesis-testing analysis and results, the following interpretations of the results of this study arise

1. Impact of Investment on SME Labor Force Acquisition in Gowa District

Based on the results of the SPSS 22 data processing presented in the subtest results (t-test) table, investment variables have a significant positive impact on employment. In small industries, increasing investment increases employment intake and conversely, decreasing investment decreases employment intake, so the originally proposed hypothesis is accepted. The results of the regression analysis are consistent with Keynes' theory that there is a positive correlation between investment and employment, that is, the greater the investment, the greater the absorption of labor.

The results of the above analysis show that it has a significant positive impact on employment in the industrial sector of Gowa County. This is because companies are investing heavily to increase their workforce and achieve higher production.

These results are also consistent with research conducted by Nununk Nuswantoro, which states that investments are positively correlated and have significant effects. In addition, as firms invest, sometimes at high cost, in replacing old production tools, such as machines and other technical tools that are no longer in use, this replacement reduces the number of skilled workers for these production tools. lead to an increase.

2. Effect of Wages on Employment in the Small Industry Sector in Gowa District

Based on the results of the SPSS 22 data processing presented in the subtest results (t-test) table, wage variables have a positive but not significant effect on employment in the manufacturing sector. The hypothesis originally proposed is rejected because an increase in

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wages leads to an increase in employment and conversely a decrease in wages leads to a decrease in employment.

The regression results are consistent with the theory that wages are positively correlated. H. The higher the wage, the higher the employment rate. This is based on the fact that higher wages increase the supply of labor to households. This is due to public interest in higher wages that lead to higher labor force participation, which in turn affects workers with higher employment opportunities.

In fact, wages in Gowa County have had a positive impact on manufacturing employment growth, but not by much. This is because high wages have an impact on the large labor supply of households, but the profits for firms from increasing the demand for labor provided by households are small, so firms respond to this increase by reducing the demand for labor. It is for In this case the Gowa Regency people.

4. CONCLUSION

This study aims to determine the effect of investment and minimum wages on employment in the manufacturing sector. Based on the results of the research presented in the previous chapter, the conclusions that can be drawn by the author are as follows:

1. Investment has a positive and significant effect on employment in small industries in Gowa Regency. This refers to the multiple linear regression equation. The coefficient indicates a positive relationship between investment and employment. Based on the significant value, it states that investment has a significant effect on the absorption of small industrial workers in Gowa Regency.
2. The Minimum Wage has a positive but not significant effect on employment in small industries in Gowa Regency. This refers to the value of the regression coefficient. The coefficient indicates a positive relationship between wages and employment in the industrial sector. Based on the significant value, it states that the minimum wage has no significant effect on the absorption of small industrial workers in Gowa Regency.

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