The Influence of Labor Absorption on the Level of Economic Growth in Purwakarta Regency for the 2010 – 2020 Period

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Abstract

In Purwakarta Regency, employment is still fluctuating although it tends to increase. This can have an impact on the level of economic growth in Purwakarta Regency. The rate of economic growth in Purwakarta Regency fluctuates, although it tends to decrease every year. Therefore, this study aims to determine the correlational relationship between labor absorption variables and economic growth variables for 10 periods. The theory used for the labor absorption variable is Zamrowi's theory. while the theory used for economic growth variables is the theory of the Central Bureau of Statistics. This research uses a quantitative approach with secondary data in the 2010-2020 observation period. The data used comes from BPS, Bappelitbangda and Manpower and Transmigration Office. The data analysis technique in this study is statistical analysis. The test performed is a simple linear regression test. In data processing, data testing is done with the help of SPSS software. The test results show that employment has a significant effect on the level of economic growth in Purwakarta Regency. This shows that employment can increase economic growth rates. When employment increases, economic growth will increase. Thus, increasing economic growth can be done through expanding employment opportunities so that employment can increase..
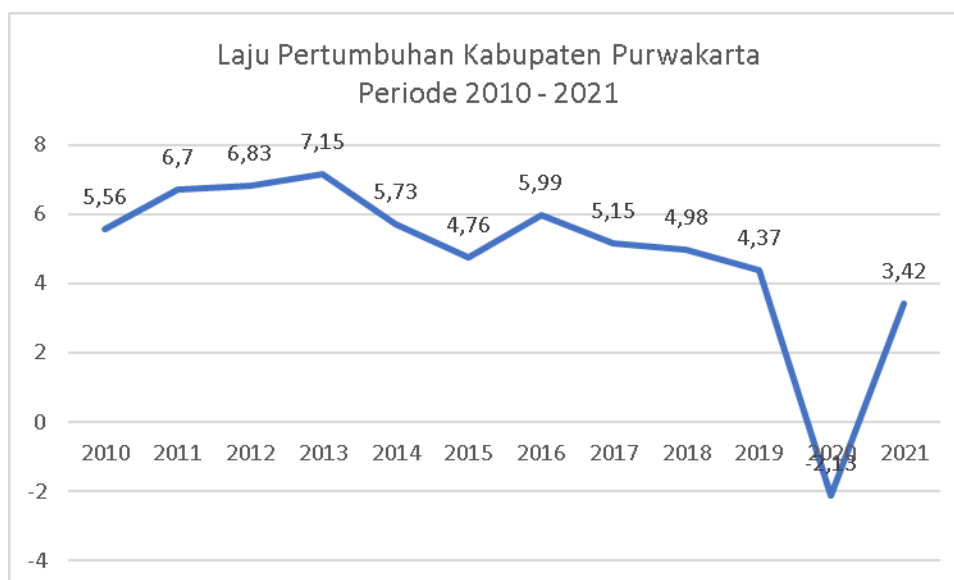
Keywords: *Influence; Employment; Economic growth*

A. Introduction

Economic growth refers to an increase in the value of a country's economic output over a certain period of time. Economic growth is usually measured using Gross Domestic Product (GDP). Economic growth is an important indicator for a country because it reflects the level of prosperity, progress and economic development. Several factors that contribute to a country's economic growth include Investment, Consumption, International Trade, Monetary and Fiscal Policy, Availability of Labor and Skills, Innovation and Technology and Political Stability and Security

Sustainable economic growth is an important goal for many countries because it can improve people's living standards, reduce economic growth, and create greater economic opportunities. However, it is also important to note that economic growth that is not balanced with equality and environmental protection can cause inequality and negative impacts on society and the environment. Therefore, inclusive, sustainable and responsible economic growth is highly expected.

Currently, economic growth in Indonesia is still not optimal because it is still fluctuating and not yet stable. Indonesia's economic growth has experienced various fluctuations over the last few years. Before the COVID-19 pandemic, Indonesia experienced relatively stable and strong economic growth. However, in 2020, this country experienced an economic slowdown due to the impact of the global pandemic. According to the Central Statistics Agency in 2019, Indonesia's economic growth reached around 5.02%. However, in 2020, economic growth only reached 2.07%, which was the lowest in recent years due to restrictions on economic activity and mobility due to the COVID-19 pandemic.

This situation has an impact and occurs in all regions in Indonesia. One of them is the smallest city in West Java, namely Purwakarta Regency. Economic growth in Purwakarta Regency is still low and fluctuating. This can be seen in the Gross Regional Domestic Product (GRDP) Rate of Purwakarta Regency. The following is data on the Growth Rate of Purwakarta Regency according to Business Fields during the 2010 – 2021 period.

Figure 1. Graph of GRDP Rate According to Business Fields in Purwakarta Regency for the Period 2010 – 2021
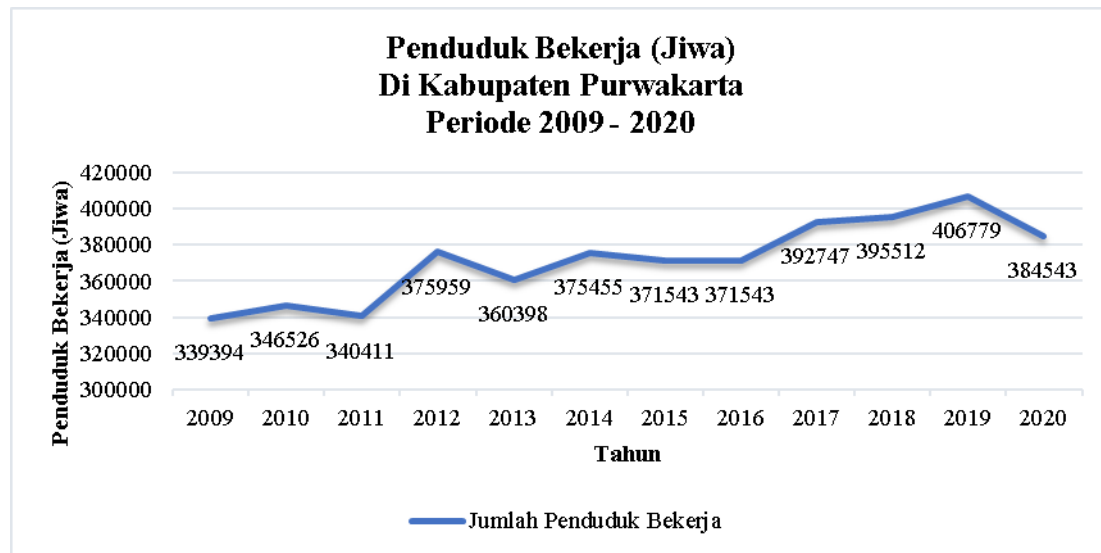
Based on data from BPS West Java, the growth rate in Purwakarta from year to year shows a graph of significant decreases and increases. In 2015 the growth rate in Purwakarta Regency was only 4.7%. This figure is lower than in 2013, indicating a decline in the growth rate. The most significant decline was in 2020 which experienced a decline of

2.24 points. In 2020 the growth rate in Purwakarta Regency was -2.13%. This year was the lowest growth during the period 2010 - 2021. This condition occurred because in 2020 the Covid-19 pandemic occurred which caused all economic activity to stagnate and stop in all regions of Indonesia, including Purwakarta Regency. However, in 2021 the growth rate increased again, although it only reached growth of 3.42%.

This growth rate certainly occurs due to several factors. Previously it was explained that one of the factors influencing economic growth is the availability of human resources or labor. However, currently there is a problem with employment, not all residents of the workforce in an area are working or have jobs. Unemployment is generally caused by a high workforce that is not accompanied by wide accessibility of business opportunities and job assimilation. The problem of limited job opportunities and the high number of the workforce indicates low labor absorption. The number of working people is a reflection of the number of jobs available and filled, this situation is usually called labor absorption (Zamrowi, 2007). Thus, how much labor is absorbed is how many individuals work. According to the Central Statistics Agency, the working population is those aged 15 years and over. Thus, residents who have met the requirements to work are allowed to work.

The more people of working age who have jobs, the more people who have income and meet their needs. Apart from that, the level of economic growth can also be influenced by the level of labor absorption. This happens because labor is a production factor in a region. As is known, GRDP is a tool for measuring the total value of all final goods and services produced by residents or companies located in the area during a certain period, usually a year. The more people work in an area, the GRDP will increase.

The quantity of labor absorbed can be seen from the large number of individuals working. To determine labor absorption in an area, you can look at the number of working people in that area. The following is the number of individuals working in Purwakarta Regency during the 2009 – 2020 period.

Figure 2. Graph of Working Population in Purwakarta Regency for the 2009-2020 Period

If you look at the graph above, it is very clear that the number of human resources employed or workforce absorbed is based on information from the West Java BPS. The number of working residents in Purwakarta has increased quite significantly every year. As in 2011, it was reflected that the working population was at 340,411 people and in the following year it increased to 375,959 people. Thus the increase reached 35,548 people in a year. Apart from that, in 2017 there were 392,747 people, in 2018 there were 395,512 people, and in 2019 there were 406,779 people.

The availability and accessibility of employment opportunities is an indicator for increasing labor absorption. However, in reality, currently not all residents of the workforce in an area are working or have jobs. Unemployment is generally caused by a high workforce that is not accompanied by wide accessibility of business opportunities and job assimilation. The problem of limited job opportunities and the high number of the workforce indicates low labor absorption. High or low labor absorption can certainly determine the high or low GDP in a region.

Labor absorption is the amount of labor consumed by a particular industry or business unit. In Law of the Republic of Indonesia no. 13 of 2003 concerning Employment, it is stated, is all matters relating to labor before, during and after the period of employment. Employment issues are closely related to issues of employment opportunities, labor and employment. Labor is defined as those employed in the production process who are not only seen as factors of production but also as caliphs who

are rewarded with wages sincerely agreed upon by both parties with responsibility and trust to do their work as well as possible. According to Imam Syaibani, "work is an effort to obtain money or a price in a legal way". Work as an element of production in Islam is based on the concept of istikhlaf, which states that humans are responsible for providing prosperity to the world and investing and developing assets entrusted by Allah to meet life's needs. Work, on the other hand, refers to all the efforts and efforts put in by the limbs or mind to properly obtain rewards. Labor as a factor of production has little significance. Because all natural wealth is useless unless it is exploited and processed by humans.

Several previous studies that support this research show that labor absorption can influence the level of economic growth, such as research conducted by Ni Luh Putu Yuni Adipuryanti (2015). The research results show that economic growth and labor absorption have a significant effect on the number of poor people in East Kutai Regency. The research results of Agus Budi Purnomo and Sri Kusreni (2020) also show the same results. The research results show that labor absorption directly has a positive influence on the number of poor people. Apart from that, research by Muchamad Miftakhudin (2020) shows that the Open Unemployment Rate variable has no effect on the number of poor people.

Apart from evidence in the form of data, these theories are also a strong reason for carrying out this research in finding the effect of absorption. ThereforeTo find out the influence and correlation between these two variables, research needs to be done. Based on the statements above, it is very possible that high labor absorption will influence economic growth in Purwakarta Regency. Thus, this research will test the effect of labor absorption on the level of economic growth in Purwakarta Regency over 10 periods.

B. Research Methods

The approach in this research is a quantitative approach. This approach is an approach used in research that tends to process data in the form of numbers and process the data using statistical testing. Simple regression testing is used in this research because this type of research is correlational research. Population (Renaldi & Mujianto, 2017) is the entire area contained in the research to be carried out, which meets the rules set by scientists. The population in this test is the number of workers aged 15 years and over who are currently working and GRDP in Purwakarta Regency from annual data for the period 2010 - 2020. The sample (Renaldi & Mujianto, 2017) is part of the entire population that is

considered to have meet the criteria for research. If the research population is too large and the analyst has limited time, costs and energy in conducting research, it can be done by taking a representative sample from the appropriate population. The samples obtained for testing were annual data on the number of residents aged 15 years and over who were working and GRDP in Purwakarta Regency in the 2010 – 2020 period.

There are several data collection techniques used in this research. First, observation is a data collection technique through direct observation of the field and research objects to obtain relevant information. Second, documentation is a technique used to obtain data or information from files or documents such as opinions, arguments, reports and others related to research problems. The method used in collecting research data is by accessing, retrieving and collecting data that has been processed and published by the Manpower and Transmigration Department, Bappelitbangda and BPS. Third, literature study is a method used to obtain data through reading books that are relevant to the problem being studied in the form of manuscripts and numbers. The purpose of this explanation is that this research uses sources or references in the form of theories or similar problems originating from books, journals or previous research. The literature study in this research is books or journals that contain issues regarding labor absorption and economic growth rates.

The data analysis method in this review is a measurable test or statistical test. This data analysis will be completed with the help of IBM SPSS Statistics 21 programming. The tests used in this exploration include:

Linear Regression Test

Simple Linear Regression (Nuryadi, Tutut Dewi A., et.al., 2017: 134) is a linear regression with one independent variable. This analysis is carried out to obtain a good regression equation, where the value of the independent variable can estimate the value of the dependent variable. This regression test is one of the techniques used to determine the influence of the independent variable on the dependent variable.

Correlation Test

Correlation analysis (Thomas Cleff, 2019: 20) is a test carried out to determine the causal relationship or reciprocal relationship between the variables in the research. If there is a relationship between the variables in the research, there will be changes in one of the

variables. The value produced in this test will determine the direction of the relationship between the two variables being tested. If the value is positive then the reciprocal relationship will increase. If the coefficient is negative then one of the variables will decrease.

Coefficient of Determination

The coefficient of determination (R^2) is the contribution of the autonomous variable to the dependent variable. The coefficient of determination (Rochmat Aldy Purnomo, 2017: 116-118) is the value of the independent variable which can explain the magnitude of changes that may occur in the dependent variable. From the coefficient of determination, the percentage of close influence and contribution that occurs between the two variables tested can be obtained.

C. Result and Discussion

General Description of Research Place

Purwakarta Regency is one of the regencies in West Java which was founded in 1968. Purwakarta Regency has the motto "Wibawa Karta Raharja" which means a dignified, lively and prosperous area. Purwakarta Regency has a vision of "Creating a Special Purwakarta" with a mission of "Improving the quality of education, health and social welfare. Improving good, clean and professional government governance."

Geographically, the Purwakarta Regency area is located in the northern part of West Java Province with coordinate boundaries between 107o30' - 107o40' East Longitude and 6o25' - 6o45' South Latitude. The position of Purwakarta Regency is located at the crossroads of national roads that connect Jakarta as the National Capital with Bandung as the Capital of West Java Province, and which connects Jakarta with Cirebon.

Demographically, Purwakarta Regency is reflected in the number of Purwakarta residents. The population has increased from year to year. The population has increased significantly. In 2014 the population in Purwakarta Regency reached 9,007 people. Based on data obtained from BPS West Java, from 2011 to 2020 the population in Purwakarta Regency continued to increase.

Discussion

Linear Regression Test

The regression test is a statistical test of data to determine the significance of the influence of the labor absorption variable on the economic growth rate variable. This test also aims to determine the equation of the regression model being tested. In this equation, the value of the labor absorption variable will be obtained which can estimate the value of the economic growth rate. The requirement for this regression test is the sig value. < 0.05.

The test results show that the sig. of 0.000. This value shows that 0.000 < 0.05, so this means that the labor absorption variable has a significant influence on the economic growth variable. The following is a table of simple linear regression test results:

Table 1. Linear Regression Test Results

Coefficientsa					
Model	Unstandardized Coefficients		Standardized Coefficients	Q	Sig.
	B	Std. Error	Beta		
1 (Constant)	-67183608.896	17954682.923		-3,742	,005
PTK	280,371	47,858	,890	5,858	,000
a. Dependent Variable: GRDP					

Correlation Test

Correlation test is a test to measure the reciprocal relationship between two or more variables. In this test you can also see the relationship between positive or negative variables. The correlation test requirement is the sig value. < 0.05. The following is a correlation test of the labor absorption variable on economic growth.

Table 2. Correlation Analysis Results

Correlations		PTK	GRDP
PTK	Pearson Correlation	1	,890**
	Sig. (2-tailed)		,000
	N	11	11
GRDP	Pearson Correlation	,890**	1
	Sig. (2-tailed)	,000	
	N	11	11
**. Correlation is significant at the 0.01 level (2-tailed).			

The table above shows the results of testing the correlation between labor absorption and economic growth. Sig value. of 0.000 then this shows that 0.000 < 0.05. Thus it is found that H0 is rejected and H1 is accepted. This means that there is a correlation between the labor absorption variable and the economic growth variable. Meanwhile, the Pearson Correlation shows a positive value of 0.890. This positive value shows the direction of the correlation between the labor absorption variable and economic growth. This research shows that labor absorption is in line with economic growth in Purwakarta Regency. If labor absorption increases, economic growth in the form of GRDP will also increase. The correlation between these two variables is a very strong correlation.

Coefficient of Determination

The coefficient of determination is the value of the contribution of the labor absorption variable to economic growth. The coefficient of determination is the value of the independent variable that can explain the dependent variable. Calculating the coefficient of determination can be done by squaring the correlation value. In table 2, the correlation value is 0.89. So the R-Square value obtained is 0.7921. Thus, the percentage coefficient of determination is obtained as follows:

$$KD = 0.7921 \times 100\% = 79.21\%$$

This shows that the labor absorption variable contributes to influencing the economic growth variable by 79.21%. Meanwhile, the remaining 20.79% is a contribution from other variables or factors other than the labor absorption variable in this test.

Discussion

Based on the test results in table 3.4 above, it shows that the sig. of 0.001. This value can be interpreted as 0.001 < 0.05, so this means that the labor absorption variable has a significant influence on the economic growth variable. This shows that H0 is rejected and H1 is accepted. H1 states that labor absorption has a significant effect on the level of economic growth in Purwakarta Regency during the 2011 - 2020 period.

The test results are in accordance with the theory put forward by Al-Syaibani that people who work and fill the available economic sectors are a form of meeting their needs with the income they earn (Adiwarman, 2017). From this theory, it can be assumed that a workforce that is productive and has a job can indirectly be one of the factors that can

suppress economic growth rates. The high contribution of the working population in suppressing economic growth can be used as a benchmark for the government in making policies to expand employment opportunities as a potential effort to increase economic growth.

Contemporary Islamic economic figures also provide their views regarding the alleviation of economic growth. As Abu A'la Al-Maududi argues that (Sugeng Santoso, 2016: 59-86) Islamic economics addresses economic growth through effort and work. Al-Maududi is of the view that trying and working by carrying out halal economic activities is a way to alleviate economic growth in the world and the hereafter. By working, individuals can also earn wages and income for their lives. Apart from Al-Maududi, Baqir Al-Sadr also believes that (Qoyum, Nurhalim, et.al., 2021: 492-493) every individual can fulfill their needs through productive activities. This productive activity is work, so it can be concluded that work can reduce economic growth because by working a person can fulfill his life's needs.

There is research conducted by Nallari and Griffith which states (Nallari and Griffith, 2012: 1-24) that the level of economic growth can be reduced through large employment opportunities. This indication of extensive employment opportunities can provide great opportunities for the available workforce to fill the available economic sectors and increase income. The theory put forward by Nallari and Griffith is relevant to the results of this research.

D. Conclusion

Based on the test results and data analysis, it can be concluded that labor absorption has a significant effect on economic growth in Purwakarta Regency during the 2010 - 2020 period. This is interpreted in the results of a simple linear regression test showing that the significance value is 0.000. Where the value is 0.000<0.05 and the t table value is smaller than the calculated t value. The results of the coefficient of determination also show that the contribution of the labor absorption variable is 79.21% to economic growth.

Based on the results of this research, the Regional Government of Purwakarta Regency hopes that economic growth in Purwakarta will continue to increase and there are efforts that the government can make. The Regional Government can continue to strive

to increase the availability of employment opportunities for the workforce which continues to increase every year through its policies so that residents in Purwakarta Regency have an income and can meet their basic needs.

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