

## Labor Absorption Model in West Java Province Indonesia

<sup>1</sup>Narsih <sup>2</sup>Cicah Ratnasih <sup>3</sup>Pudji Astuty

---

**ABSTRACT :** This study will look for models in the absorption of special labor for the manufacturing industry in the Province of West Java-Indonesia. The variables are Manufacturing Sector Investment, Provincial Minimum Wage, Number of Manufacturing Industry Companies, Number of Manufacturing Industry Production, Regional Economic Growth Rate, Human Development Index, employment. The research method used is regression analysis and the Cobb Douglas method to determine how much the independent variable's elasticity affects the dependent variable. The results obtained include the significant influence of the Manufacturing Sector Investment, Provincial Minimum Wage, Number of Manufacturing Industry Companies, Total Manufacturing Sector Production, Regional Growth Rate, and Human Development Index simultaneously on Labor Absorption in West Java Province. Partially there is a significant effect of the variables of Manufacturing Sector Investment, Number of Manufacturing Industry Companies, Total Manufacturing Sector Production, and Human Development Index on Labor Absorption in West Java Province. The variable with the largest influence on Labor Absorption is the Human Development Index variable, while the variable with the smallest effect on Labor Absorption is the Number of Manufacturing Industry Companies. At the same time, the Provincial Minimum Wage and Regional Growth Rate variables are not significant. Although it does not have a significant influence, the Minimum Wage and Province Regional Growth Rate positively influence.

**KEYWORDS:** Manufacturing Sector Investment, Provincial Minimum Wage, Number of Manufacturing Industry Companies, Number of Manufacturing Industry Production, Regional Economic Growth Rate, Human Development Index, employment absorption.

---

### I. BACKGROUND

The main and fundamental problem in employment in Indonesia is low wages, high unemployment, and increasing population growth. The increase in the new workforce is much greater than the growth in employment that can be provided every year. The growth of labor that is greater than the availability of employment creates high unemployment. Unemployment is one of the main problems in the short term that every country faces. Therefore, every country's economy must face unemployment, namely natural unemployment (natural rate of unemployment). Protection of workers is intended to guarantee the basic rights of workers or laborers and guarantee equal opportunities and treatment without discrimination to realize the welfare of workers or laborers and their families while taking into account the development of the progress of the business world. However, the problem faced by Indonesia to date is that there are still many people of working age or productive age who do not have or do not have a job, so of course, this can affect national development. Considering that workforce is one of the important elements in Indonesia's development. Where at this time, Indonesia is facing a very serious labor problem. Since the economic and political crisis hit Indonesia in mid-1997, the world of employment has also been adversely affected, which is quite extraordinary. The economic crisis has made many large, medium, to small scale companies have difficulty operating, and not even a few have to be closed. In addition, the economic and political crisis that has resulted in domestic security shocks, the increasing culture of manipulation and bribery, and imperfect law enforcement and enforcement have increased the risk of investing in Indonesia.

The past economic and political crisis conditions have similarities with the current conditions, but the causes are different, the COVID-19 pandemic that has hit all countries in the world. Even due to the Covid-19 pandemic, it has damaged all aspects of life, starting from the health sector, the economic sector, the social sector, and other sectors. Bank Indonesia projects that there will be an 11.25% increase in the poverty rate to 30.3 million people this year due to the ongoing Covid-19 pandemic in the country, which has an impact on transportation, trade, hotels, and restaurants, construction, and construction sectors. Processing and agriculture (Victoria, 2020). Based on the Quarter I 2020 report, Bank Indonesia explained that the impact of the Covid-19 Pandemic resulted in a weakening of the domestic economy,

Which could continue into the third quarter of 2020. Bank Indonesia recorded domestic economic growth in the first quarter of 2020 of 2.97% (YoY), slowing from growth in the previous quarter was 4.97% (YoY). The economic slowdown in the business sector was mainly driven by the slowdown in business fields affected by restrictions on community mobility, and the economic slowdown was mainly contributed by the slowdown in business activity, which included: Manufacturing Industry business field, trading business field, accommodation provision business field, transportation, and warehousing business field, tourism business field as well as an agricultural business field, and business field in other sectors. Regional economic growth (GRDP) in almost all provinces grew slowly. The slowdown was mainly due to the decline in domestic demand due to restrictions on socio-economic activities due to social distancing policies to anticipate the spread of the COVID-19 pandemic. This crisis condition adds to the decline in the competitiveness of a country, which is reflected by the quality of the human development index (HDI), both at the world level HDI, country HDI, and provincial HDI.

The condition of developing countries is characterized by high unemployment rates and very fast population growth, so this is the most crucial dynamic factor and needs to be addressed urgently because population factors influence and determine the direction of a country's development in the future. Population growth is a major problem in economic development. This population growth can be seen in the total supply of basic needs, especially food procurement and increasing the workforce. If the population grows as fast as the national income, the per capita income will not increase. One of the salient implications of population growth in developing countries is that the productive workforce must bear a proportionally greater burden of supporting family members, almost twice as much as in developed countries. It means that high population growth rates burden developing countries, and their workforce must bear a heavier dependency burden. Developing countries generally experience an explosion in the labor force, but it is not followed by an increase in new job vacancies so that unemployment in cities and villages increases. Unemployment in developing countries is caused by the large number of productive age population who lack the skills to work, supported by the limited number of available jobs. Most of the population in developing countries work in rural areas. More than 65% of the population lives permanently and even for generations. Similarly, about 58% of the workforce in developing countries makes a living in the agricultural sector, which accounts for 14% of GNI. (Smith, 2006).

Considering that the focus of this research was carried out in West Java Province, the researchers would first explain Demographic Conditions, General Economic Conditions, Employment Aspects, and poverty aspects. The location of the West Java Province is in the north bordering the Java Sea, the Indian Ocean borders the southern part, Banten Province and DKI Jakarta Province border the western part, and Central Java Province borders the eastern part. West Java Province has a land area of 35,377.76 km<sup>2</sup>, consisting of 18 districts and nine cities, with a total of 627 sub-districts, 2,672 Kelurahan, and 3,291 villages. Population involvement in economic activities is measured by the portion of the population who enter the labor market, namely working or looking for work. The Labor Force Participation Rate is a measure that describes the number of workers in the workforce for every 100 people of working age. The population of West Java aged 15 years or over in 2018 reached 35.96 million people. The total workforce is 22.63 million people, of which 20.78 million people work in various business sectors, while the remaining 1.85 million are still unemployed. This number brings the open unemployment rate to 7.73 percent.

Economic activities included in the accumulation process are the formation of capital or investment, government revenues, and efforts to provide education for the community. Meanwhile, the economic activities included in the resource allocation process are the structure of domestic demand, production, and trade structure. Furthermore, economic activities which include demographic and distributive processes are changes in labor allocation factors in various sectors, urbanization, birth and death rates, and income distribution. In the labor sector, there will be a process of labor migration from the agricultural sector in rural areas to the industrial sector in urban areas, although this shift is still lagging behind the process of structural change itself. With this existence, the agricultural sector will play an important role in increasing labor supply, both from the beginning to the end of the structural transformation process. Labor productivity in the agricultural sector is low, will gradually increase, and has the same productivity as workers in the industrial sector during the transition period. Thus, labor productivity in the economy as a whole will increase (Kuncoro, 2010:42).

A process of structural change that is taking place will certainly bring two consequences; the first is a positive side, and the other is a negative side. One of the negative sides of this structural change is the increasing flow of urbanization, which is in line with industrialization. In some ways, urbanization hampers the equitable distribution of development results, where the increase in income will only occur in the urban modernization sector. Meanwhile, the rural sector, which workers largely abandon, is experiencing slow growth so that the gap between urban and rural areas is increasing under these conditions. Structural change will only work well if it is

followed by equal distribution of education, a decrease in population growth rate, and a decrease in the degree of economic dualism between cities and villages. If this can be met, then the structural transformation process will be followed by an increase in income and income distribution, which impacts reducing the poverty level.

YarlinaYacoub's research (2012) states that the unemployment rate significantly affects the poverty level. Furthermore, research by Haitao Wu, Shijun Ding, and Guanghua Wan (2015) shows that the poverty rate is high due to the unequal distribution of income. Nursetyo, 2013, with the title Analysis of the Effect of Regional Macroeconomic Variables on Urban Poverty Levels (Case Study of 44 Cities in Indonesia in 2007-2010), Indonesia was ranked 110th, worse than other Southeast Asian countries, such as Vietnam, ranked 109th. The Philippines is 77th, Thailand is 69th, Malaysia is 59th, Brunei Darussalam 32, and Singapore is 25th. Based on this data, it can be seen that Indonesia is still far behind neighboring countries, even though Indonesia has more natural wealth than other countries. -the country. From the background of this research, several problems can be conveyed, including:

- 1) Does investment in the manufacturing sector affect employment?
- 2) Does the provincial minimum wage affect employment?
- 3) Does the number of manufacturing industry companies affect the absorption of labor?
- 4) Does the amount of production in the manufacturing industry affect the absorption of labor?
- 5) Does the rate of regional economic growth affect employment?
- 6) Does the human development index (HDI) affect employment?

Manufacturing Sector Investment, Provincial Minimum Wage, Number of Manufacturing Industry Companies, Total Manufacturing Industry Production, Regional Economic Growth Rate, Human Development Index, employment.

**Theory:** Todaro, Michael (2000, p. 223) defines *economic development* as a multidimensional process that includes changes in structures, attitudes of life, and institutions, increasing economic growth, reducing inequality in distribution, and eradicating poverty. Chenery, Hillis, and Srinivasan (1993, p.136), development is expressed as a change or transition from traditional to modern forms of production and economic behavior. He also identified that economic growth as a result of the transition could be achieved by creating agricultural surpluses, strengthening the exchange rate, and increasing savings. Based on the previous, it is found that the economic development carried out by a country today must be seen as a planned, programmed, systematic, and sustainable effort in improving the welfare and quality of life of the entire community. Economic development means that it continues to evolve from the previous increase in per capita income. Now it is seen as a multidimensional process involving other macroeconomic variables as the main indicators and non-economic variables such as social, institutional, educational, political aspirations, and others.

The consequences of the evolution of the meaning of development have resulted in a shift in development goals that are pursuing high economic growth through increased income and the fulfillment of needs, both material and non-material such as freedom, equality, and health education, and others. Lewis, in his theory of the Dual Economy, Bhaduri in (Chang Ha – Joon, 2003, p. 222) shows that the change from traditional to modern economic behavior is based on differences in production methods. The Dual Economy model analyzes the development process through the interaction between the traditional sector (represented by agriculture) and the modern sector (represented by industry), each of which has principally different behavior. The behavior of the modern sector can, in principle, be based on Neo-Classical economics, while the behavior of the traditional sector can be based on Classical economics. The industrial sector wage rate is hypothesized to be constrained by the Marginal Productivity of Labor (MPL) function in a Neo-Classical economy. In contrast, the agricultural sector's wage rate is expressed institutionally as the standard of living in a Classical economy. The interaction of the two sectors is based on the labor surplus Chinhui, J. and S. Potter (2006), which is generated from the agricultural sector.

Whether it is increasing, decreasing, or stable, the economic performance of a country can be measured through national income, which is an indicator to determine the standard of living of the people in a country. Economic welfare can be measured through the calculation of Gross National Product (GNP), where the calculation of national production is based on GNP at the current market price, which has not been adjusted for changes that occur in the price level or inflation rate is called nominal GNP, while the calculation of national product is based on constant prices or prices. base year GNP at constant or at base year prices) is called Real Gross National Product (real GNP). The calculation of GNP as a measure of economic welfare has several weaknesses, including the calculation of GNP that only includes economic activities (transactions) traded in the market. In contrast, there are many economic activities whose products are not traded or (non-market transactions).

One of the UN international agencies, namely UNDP (United Nations Development Program), has developed a useful unit to measure the success of a country's development, known as the HDI (Human Development Index). HDI is an index that tries to measure the progress of national social and economic development in a country based on a benchmark of life expectancy, level of income achievement, and the level of real per capita income calculated against the purchasing power of the local currency. According to Simon Kuznets (in Jhingan, 2000, p.57), economic growth is a long-term increase in the ability of a country to provide more types of economic goods to its population. This capability grows with advances in technology and the institutional and ideological adjustments it requires. Economic growth is a process where there is an increase in real gross national product or real national income. If there is growth in real output, the economy is said to be growing or developing. The economic growth of a country reflects the achievements and success of the country in controlling its economic activities in the short term and developing its economy in the long term (Mosis, A. and S. Hipple (2006).

Economic growth is an effort to increase production capacity to achieve an additional output as measured by a region's Gross Domestic Product (GDP) and Gross Regional Domestic Product (GRDP). (Adisasmita, 2013) Economic growth is the process of increasing output per capita in the long run. The emphasis is on three aspects, namely: process, per capita output, and long term. Economic growth is a process, not an economic picture at a time. Here we look at the dynamic aspects of an economy, namely how an economy develops or changes over time. The emphasis is on change or development itself (Boediono, 1999) According to Simon Kuznets (Todaro, 2000), economic growth increases the long-term capacity of the country concerned to provide various economic goods to its population. Technological, institutional, and ideological advances or adjustments to various existing conditions make this capacity increase possible. Economic development has a broader meaning and includes changes in the overall economic structure of society. *Economic development* is generally defined as a process that causes an increase in the real income per capita of a country's population in the long term, accompanied by improvements in the institutional system.

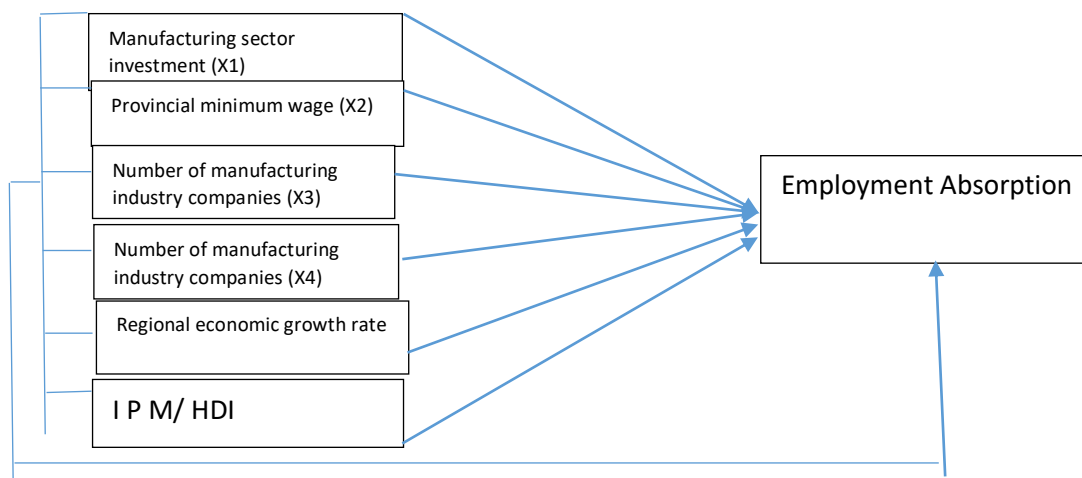
*Economic development* is a process that means changes that occur continuously; efforts to increase per capita income the increase in per capita income must continue in the long term. The last is improving the institutional system in all fields (e.g., economic, political, legal, social, and cultural). This system can be viewed from two aspects: aspects of improvement in the field of the organization (institution) and improvement in the field of regulation, both legal and informal.

## II. METHOD

The method used in this research is the descriptive and verification method, where the research will describe each variable and explain the influence between the variables studied. While the type of influence between the variables used in the study is causality, the independent variable affects the dependent variable. Verification research refers to the formulation of research problems and hypotheses to be tested against the phenomena that occur from the existing framework of thinking set operational variables. Furthermore, primary data is used as the basis for regression analysis with the OLS approach (Bertola, G., FD Blau, and M. Khan (2001) testing time-series data and testing hypotheses, Manuelli, RE (2001). If the test data meets the criteria for proper statistical testing, further analysis is carried out accompanied by hypothesis testing. From the data analysis and hypothesis testing, conclusions and suggestions are determined to answer the formulation of research problems. This study consists of independent variables (independent variable), consisting of; Amount of Investment in Manufacturing Sector (X1), Provincial Minimum Wage (X2), Number of Manufacturing Industry Companies (X3), Total Manufacturing Industry Production (X4). Regional Economic Growth Rate (X5); Human Development Index (X6). The dependent variable (Y) consists of Labor Absorption. This study uses secondary data from Central BPS and BPS Province / Regency / City in West Java Province. The data is secondary data in the form of time series, for 15 (fifteen) years, starting from 2005 to 2019.

The analytical method used is multiple linear regression. According to Gujarati (2003), the main assumptions underlying the linear regression model using the OLS model are that the linear regression model is linear in parameters such as in the equation  $Y_i = b_1 + b_2 X_i + u_i$ . The value of X is assumed to be non-stochastic, meaning that the value of X is considered to be constant in the repeating sample. The mean value of the error is zero, or  $E(u_i/X_i) = 0$ . Homoscedasticity means that the error variance is the same for each period (Homo=same, scedasticity=distribution) and is expressed in the mathematical form  $Var(u_i/X_i) = \sigma^2$ . There is no autocorrelation between errors (between  $u_i$  and  $u_j$  there is no autocorrelation or, mathematically,  $Cov(u_j, u_j/X_i, X_j) = 0$ . Between  $u_i$  and  $X_i$  are independent, so  $Cov(u_i/X_i) = 0$ . The number of observations n must be greater than the number of estimated parameters (independent variables). The existence of variability in the value of X means that the value

of X must be different. The regression model has been correctly specified, or there is no specification bias in the model used in the empirical analysis. There is no perfect multicollinearity between variables. Assumptions that are prerequisites for using OLS in linear regression are classical assumptions regarding residuals or error terms that must be met. Tests regarding the presence or absence of violations of these assumptions are carried out before the model output is analyzed. From some of the descriptions above, it can be formulated a research model in the following framework:



Information:

To analyze Labor Absorption which is influenced by internal and external variables, it can be formulated as follows:

$$Y = f(X_1, X_2, X_3, X_4, X_5, X_6)$$

From the above formulation, the model for regression analysis using the OLS approach is as follows:

$$Y = 0 + 1 X_1 + 2 X_2 + 3 X_3 + 4 X_4 + 5 X_5 + 6 X_6 + \epsilon_1$$

Where:

Y = Labor Absorption

X1 = Total Investment in Manufacturing Sector

X2 = Provincial Minimum Wage

X3 = Number of Manufacturing Industry Companies

X4 = Total Manufacturing Industry Production

X5 = Economic Growth Rate

X6 = Human Development Index

0 = Constant

i = Regression Coefficient, where i = 1; 2; 3; 4; 5; 6

1 = Error/Test Residual.

Testing the regression coefficients simultaneously or together, used statistics: F test.

$$F = \frac{(n-k-1)(R^2 - ((X_1 X_2 \dots X_k))^2)}{K(1 - R^2 - ((X_1 X_2 \dots X_k))^2)}$$

Where:

k = Number of independent variables in the structure being tested

F = Following the distribution table F, with degrees of freedom k and n-k-1

Test criteria: Ho is rejected, if F count is greater than F table (Fcount > Ftable (k, n-k-1)).

### III. ANALYSIS AND DISCUSSION

Based on the results of statistical calculations through the statistical program Eviews ver. 9.0 for Model I, namely: the influence of Manufacturing Sector Investment, Provincial Minimum Wage, Number of Manufacturing Industry Companies, Total Manufacturing Industry Production, Regional Economic Growth Rate, and Human Development Index on Labor Absorption simultaneously, the results obtained as shown in table below,

Table-1

Dependent Variable: PENYERAPANTK  
 Method: Least Squares  
 Date: 01/26/21 Time: 09:34  
 Sample: 2005S1 2019S2  
 Included observations: 30

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.712224	0.712334	2.403683	0.567100
INVESTASI	0.413243	0.163471	2.527929	0.018797
UPAH	0.301341	0.133143	2.263292	0.033364
PERUSAHAAN	0.294347	0.132831	2.215954	0.036867
PRODUKSI	0.391414	0.173134	2.260758	0.033544
PERTUMBUHAN_EKONO...	0.257767	0.134313	1.919146	0.067458
IPM	0.434670	0.154335	2.816411	0.009793
R-squared	0.762510	Mean dependent var		13.50067
Adjusted R-squared	0.750991	S.D. dependent var		0.169318
S.E. of regression	0.084491	Akaike info criterion		-1.903382
Sum squared resid	0.164190	Schwarz criterion		-1.576436
Log likelihood	35.55073	Hannan-Quinn criter.		-1.798789
F-statistic	15.57694	Durbin-Watson stat		2.432914
Prob(F-statistic)	0.000000			

Source: Processed Data, 2021

Note:

PenyerapanTK - Employment Absorption  
 Investasi – Investment  
 Upah – Wages  
 Perusahaan: Company  
 Produksi – Production  
 PertumbuhanEkonomi – Economic Growth

From the calculation results of Table-1 above, it can be obtained partial multiple linear regression results as follows:

$$\hat{Y} = 1,712224 + 0,413243\text{Ln}X_1 + 0,301341\text{Ln}X_2 + 0,294347\text{Ln}X_3 + 0,391414\text{Ln}X_4 + 0,257767\text{Ln}X_5 + 0,434670\text{Ln}X_6 + \varepsilon_1$$

Based on the Multiple Linear Regression equation above, it can be transformed into the Cobb Douglas model as follows:

$$e^{\ln Q} = e^{1,712224 + 0,413243(\text{Ln}X_1) + 0,301341(\text{Ln}X_2) + 0,294347(\text{Ln}X_3) + 0,391414(\text{Ln}X_4) + 0,257767(\text{Ln}X_5) + 0,434670(\text{Ln}X_6)}$$

$$e^{\ln Q} = e^{1,712224} \times e^{0,413243(\text{Ln}X_1)} \times e^{0,301341(\text{Ln}X_2)} \times e^{0,294347(\text{Ln}X_3)} \times e^{0,391414(\text{Ln}X_4)} \times e^{0,257767(\text{Ln}X_5)} \times e^{0,434670(\text{Ln}X_6)}$$

$$e^{\ln Q} = e^{1,712224} \times e^{\text{Ln}X_1^{0,413243}} \times e^{\text{Ln}X_2^{0,301341}} \times e^{\text{Ln}X_3^{0,294347}} \times e^{\text{Ln}X_4^{0,391414}} \times e^{\text{Ln}X_5^{0,257767}} \times e^{\text{Ln}X_6^{0,434670}}$$

So that the Cobb Douglass model is obtained as follows:

$$Q = 5,541272 \times X_1^{0,413243} \times X_2^{0,301341} \times X_3^{0,294347} \times X_4^{0,391414} \times X_5^{0,257767} \times X_6^{0,434670}$$

Based on the model above, the following results are obtained:

Return to Scale: 6,978741

$\beta_1 : 0,413243 ; \beta_2 : 0,301341 ; \beta_3 : 0,294347 ; \beta_4 : 0,391414 ; \beta_5 : 0,257767 ; ; \beta_6 : 0,434670$

Based on the Cobb Douglass model, it can be translated into the following analysis:

**Return to Scale Analysis :** Based on the calculation results of the Return to Scale value in model 1, the number is 6.978741 ( $\beta_1 + 2 + 3 + 4 + 5 + \beta_6$ ). These results indicate that the RTS value  $> 1$ . Then the results of the model indicate that the scale of production results increases (increasing return), which means that every 1% addition of the Manufacturing Sector Investment variable, Provincial Minimum Wage, Number of Manufacturing Industry Companies. The total Manufacturing Industry Production, The Regional Economic Growth Rate, and the Human Development Index were able to add 3.202324% of the Labor Absorption Variable.

**Analysis of Output Elasticity of Production Input**

- a. Based on the calculation results obtained, the value of the coefficient of elasticity ( $\beta_i$ ) of each variable is as follows:  
The manufacturing sector investment variable (X1) has a regression coefficient value of 0.413243. This figure shows that every 1% increase in Investment in the Manufacturing Sector will increase Labor Absorption by 0.413243%. In the Cobb Douglas model, the regression coefficient value is the same as the elasticity coefficient; the value is 0.413243, indicating that the Manufacturing Sector Investment is in the inelastic category ( $e < 1$ ). Thus, it can be interpreted that every 1% increase in Manufacturing Sector Investment will not provide a 1% increase in Labor Absorption. Labor Absorption cannot increase if Manufacturing Sector Investment only drives it, but other factors are needed to increase Labor Absorption.
- b. The Provincial Minimum Wage variable (X2) has a regression coefficient value of 0.301341. This figure shows that every 1% increase in the Provincial Minimum Wage will increase Labor Absorption by 0.301341%. In the Cobb Douglas model, the regression coefficient value is the same as the elasticity coefficient. The value of 0.301341 indicates that the Provincial Minimum Wage is in the inelastic category ( $e < 1$ ). Thus, it can be interpreted that every 1% increase in the Provincial Minimum Wage will not provide a 1% increase in Labor Absorption. Labor absorption cannot increase if the Provincial Minimum Wage only drives it, but other factors are needed to increase Labor Absorption.
- c. Variable Number of Manufacturing Industry Companies (X3) has a regression coefficient value of 0.234347. This figure shows that every 1% increase in the Number of Manufacturing Industry Companies will increase Labor Absorption by 0.234347%. In the Cobb Douglas model, the regression coefficient value is the same as the elasticity coefficient; the value of 0.234347 indicates that the number of Manufacturing Industry Companies is in the inelastic category ( $e < 1$ ). Thus, it can be interpreted that every 1% increase in the Number of Manufacturing Industry Companies will not provide a 1% increase in Labor Absorption. Labor absorption cannot increase if manufacturing industry companies only drive it, but other factors are needed to increase labor absorption.
- d. Variable Number of Manufacturing Industry Production (X4) has a regression coefficient value of 0.391414. This figure shows that every 1% increase in Total Manufacturing Industry Production will increase Labor Absorption by 0.391414%. In the Cobb Douglas model the regression coefficient value is the same as the elasticity coefficient, the value is 0.391414 indicating that the Total Manufacturing Industry Production is in the inelastic category ( $e < 1$ ). Thus, it can be interpreted that every 1% increase in the Total Production of the Manufacturing Industry will not provide a 1% increase in Labor Absorption. Labor absorption cannot increase if it is only driven by the amount of production in the manufacturing industry, but other factors are needed to increase labor absorption.
- e. The Regional Economic Growth Rate (X5) variable has a regression coefficient value of 0.257767. This figure shows that every 1% increase in the Regional Economic Growth Rate will increase Labor Absorption by 0.257767%. In the Cobb Douglas model the value of the regression coefficient is the same as the elasticity coefficient, the value of 0.257767 indicates that the Regional Economic Growth Rate is in the inelastic category ( $e < 1$ ). Thus, it can be interpreted that every 1% increase in the Regional Economic Growth Rate will not provide a 1% increase in Labor Absorption. Labor absorption cannot increase if it is only driven by the Regional Economic Growth Rate, but other factors are needed to increase Labor Absorption.  
The Human Development Index (X6) variable has a regression coefficient value of 0.434670. This figure shows that every 1% increase in the Human
- f. Development Index will increase Labor Absorption by 0.434670%. In the Cobb Douglas model the value of the regression coefficient is the same as the elasticity coefficient, the value of 0.434670

indicates that the Human Development Index is in the inelastic category ( $e < 1$ ). Thus, it can be interpreted that every 1% increase in the Human Development Index will not provide a 1% increase in Labor Absorption. Labor Absorption cannot increase if it is only driven by the Human Development Index, but other factors are needed to increase Labor Absorption.

The Human Development Index variable with the largest value of output elasticity of input shows that with the addition of the Human Development Index. It can encourage better and more efficient Labor Absorption (Krušković, B. (2020), Khan, R., & Chaudhry, IS (2019), compared to other variables, while the value of the output elasticity of the input for the variable Number of Manufacturing Industry Companies gets the smallest value. It shows that the number of manufacturing companies can only contribute a small amount to labor absorption. Simultaneous hypothesis testing of Manufacturing Sector Investment, Provincial Minimum Wage, Number of Manufacturing Industry Companies, Number of Manufacturing Industry Production, Regional Economic Growth Rate, and Human Development Index on Labor Absorption used Snedecor's  $F_{\text{test statistics}}$ . The results of  $F_{\text{statistics}}$  or  $F_{\text{count}}$  are 15.57694 (Table 4.13) and Prob ( $F_{\text{statistics}}$ ) is 0.000000 at the 5% significance level, while the value of F table with the number of  $n = 30$  and the number of independent variables = 6 variables and the dependent variable = 1 variable, then  $df1 = k - 1 = 6 - 1 = 5$ , and  $df2 = n - k - 1 = 30 - 6 - 1 = 23$ , using a significance level of 5%, the results obtained are  $F_{\text{table}} = 2.6400$ .

The research hypothesis about the existence of a simultaneous effect: tested with the F test.  $H_{0j}$  is rejected if  $T_{\text{count}} > T_{\text{table}}(k, nk-1)$ , at a level (significant = 0.05 and degrees of freedom  $db1 = k$  and  $db2 = n - k - 1$ ), where  $n =$  sample size and  $k =$  number of independent variables. Or if the probability value of statistical error (p-value)  $< \alpha = 0.05$ . In this condition, the alternative hypothesis  $H_{a-j}$  is accepted.

Based on the calculations in Table 4.13, the  $F_{\text{count}}$  value of 15.57694 is greater than the  $F_{\text{table}}$  value of 2.6400. Thus, it can be concluded that Manufacturing Sector Investment, Provincial Minimum Wage, Number of Manufacturing Industry Companies, Total Manufacturing Industry Production, Regional Economic Growth Rate, and Human Development Index have a significant influence on Labor Absorption.

#### IV. CONCLUSION

- There is a positive and significant effect of the variables of Manufacturing Sector Investment, Provincial Minimum Wage, Number of Manufacturing Industry Companies, Total Manufacturing Sector Production, Regional Growth Rate and Human Development Index simultaneously on Labor Absorption in West Java Province. The six independent variables are the dominant variables that makeup labor absorption from the manufacturing industry sector.
- There is a positive and significant effect of each variable of Manufacturing Sector Investment, Number of Manufacturing Industry Companies, Total Manufacturing Sector Production, and Human Development Index on Labor Absorption in West Java Province. The variable with the largest influence on Labor Absorption is the Human Development Index variable, while the variable with the smallest effect on Labor Absorption is the Number of Manufacturing Industry Companies.
- In this model, some variables do not significantly affect the Provincial Minimum Wage and Regional Growth Rate variables. Although it does not have a significant effect, the Minimum Wage and Regional Growth Rate Province positively influence, but the effect is very small.

#### REFERENCE:

1. Abbas, Zaheer, and Abdul Raheman, 2018, Can We Discern the Impact of Income Distribution on Poverty and Economic Growth in Asian Economies?. *Global Management Journal for Academic & Corporate Studies* 8.1 (2018): 131-139.
2. Autor, D.H. and M.G. Duggan (2003), "The Rise in Disability Rolls and the Decline in Unemployment," *Quarterly Journal of Economics*, 17(1), 157-205.
3. Bertola, G., F.D. Blau and M. Khan (2001), "Comparative Analysis of Labor Market Out-comes: Lessons from The US International Long-Run Evidence," NBER Working Paper No. 8526, pp. 1-77, Cambridge.
4. Blanchard, Oliver. 2006. *Macroeconomics*. New Jersey: Prentice-Hall, Inc. Upper.
5. Badan Pusat Statistik (BPS), Pusat, provinsi, kabupaten/kota.
6. Chinhui, J. and S. Potter (2006), "Changes in Labor Force Participation in the United States," *Journal of Economic Perspectives*, 20(3), 27-46.
7. Chenery, Hillis and TN Srinivasan, 1995, *Handbook of development Economic, Handbooks in Economics*. Elsevier Science Publishers BV Amsterdam, Netherland.



8. Ferdinand Niyimbanira (2017); Analysis of the impact of economic growth on income inequality and poverty in South Africa: the case of Mpumalanga Province International Journal of Economics and Financial Issues 7.4 (2017).
9. ImronRosyadi, (2019). Factors That Affect Job Satisfaction Impact On Employee Performance, Vol. 6 No. 1; Indonesian Journal of Educational Review (IJER).
10. Khan, R., & Chaudhry, I. S. (2019).Impact of human capital on employment and economic growth in developing countries. Review of Economics and Development Studies, 5(3): 487-496.
11. Krušković, B. (2020). Exchange Rate Targeting Versus Inflation Targeting: Empirical Analysis of the Impact on Employment and Economic Growth. Journal of Central Banking Theory and Practice, 9(2): 67-85.
12. Manuelli, R.E. (2001), "Technological Change, the Labor Market and the Stock Market," Unpublished paper, Department of Economics, University of Wisconsin-Madison.
13. Mosisa, A.and S. Hipple (2006), "Trends in Labor Force Participation in the United States," Monthly Labor Review, 129(10), 35-57.
14. Rosyadi, Imron, (2020). Economic Structure On Gross regional Domestic Product Growth: Study Cases In Indonesia, RJOAS, 2(98).
15. Zulher, C. Ratnasih, (2020). Financial Development and Poverty Reduction in Developing Countries, Accounting, 7 (2021) 667-674, December 15,2020.