

The Factors Analysis that Influence the Employment Absorption at Songket Industry in Palembang-South Sumatra Province, Indonesia

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ABSTRACT

The population growth in the country of Indonesia is getting old is not diminishing but is growing. Palembang is one of metropolitan city in Indonesia. The number of people unemployed in this city is quite a number. Unemployment is generally caused because the labor force is not proportional to the number of jobs that can absorb them. Many companies in Palembang are also benchmarks of employment absorption and reduce the unemployment number of processing industry into sectors are relied for the expansion of job creation. Especially, in the branches of labor-intensive industries. The problem of the industry certainly is not only directed to the large and medium industries, but the attention that commensurate must also be directed at small industries and households that many found in the countryside. The small industries and households have played an important role in the national economy. This research aimed to analyze the factors that affecting employment absorption in the songket industry in Palembang. There are four variables that affecting employment absorption in the convection industry, i.e., capital, sales volume, level of education, and level of wage. Data analysis technique is used in this research is multiple regression analysis. This analysis technique is used to determine how far influence the capital, volume of sales, the level of education and the level of wage on employment absorption. These results indicate that the variable of education level has a very high impact on employment absorption. For variable of sales volume and wage levels have a high impact on employment absorption.

Keywords: absorption, industry, employment, wage, education.

1.0 INTRODUCTION

The population growth in the country of Indonesia is getting old is not diminishing but increasing, it is accompanied with the increase of the labor force that caused its own problems. It can be seen, among others, is caused by has not yet functioned the sectors of public life well and not yet uneven development in all fields so that job availability is not balanced with the rate of population growth that rapid and dynamic. As one of the countries with the largest populations, Indonesia has a huge labor potential. Population growth that increased year by year is accompanied by the growth of the labor force. In other words, the supply of labor in the market also increasing. However, the supply of labor as a result of workforce growth is not always accompanied by the creation of new jobs that can accommodate new workforce for entry into the job market. Offering the high labor while the demand for labor in the labor market are low can cause the high unemployment rate. One indicator of the high unemployment can be seen from the length of time is needed for someone to get a job.

Unemployment is a problem of employment that currently has reached the condition is quite alarming. In 2014 the Central Bureau of Statistics (BPS) recorded 7.24 million people have not been accommodated by the labor market until August 2014. While the open unemployment rate is around 5.94 percent of the workforce of 121.87 million people. Otherwise, if unemployment and underemployment are high is a waste of human resources and potential there, it will be a burden for families and society. Unemployment is generally caused because the labor force is not proportional to the number of jobs that can absorb them. Many companies in Palembang are also be a benchmark of workforce absorption and reduce the number of unemployment. If we could see more detail, not only these large companies and manufacturing sectors are be the highest employment absorption and provide jobs, but there are employment absorption figures which according to the authors have contributed big enough in employment absorption such as the small industry.

Small industry is industrial activity that run in the homes of the population. The owner of the job is a family member who is not tied to the working hours and place. Small industries can also be interpreted as a productive business outside of agriculture, whether it is the main livelihood and byproducts. Micro-businesses are classified as marginal business type, characterized by the use of relatively simple technology, the level of capital and access to credit is low, and tend to be oriented to the local market. However, a number of studies in several countries have shown that micro-enterprises contribute significantly to economic growth, create employment through job creation, providing goods and services at low prices, as well as address the issue of poverty. Besides, micro-enterprises is also one major component of economic development that could potentially improve the position

(bargaining position) of women and families. Processing industry into sectors that relied on the expansion of job creation. Especially, in the branches of labor-intensive industries. The government has identified the potential and execute programs and activities to absorb labor in the industrial sector. The sectors that include, first, the food industry, beverages, and tobacco. Second, the textile industry and textile products (TPT). Third, the footwear industry. Fourth, the furniture industry. Fifth, the petrochemical industry. And sixth, small and medium industries.

Talking about the problems the industry is certainly not directed only to the large and medium industries, but the commensurate attention must also be directed at small industries and households that were encountered in the countryside. Small industries and households have played an important role in the national economy. Although the level of ability of small industry and households have great potential in strengthening the industrial structure in Indonesia mainly serve as a source of economic growth, increasing industrial efficiency, overall, increased income, employment absorption, alleviation of poverty. Similarly, the potential of small industry and households is large enough to support the spread of industry to overcome the structural imbalances between urban and rural economy and support the structuring the economy towards more advanced.

One of the important industries that contribute to GDP Palembang is the songket industry. In 2013 the growth of songket industry (creative economy) reached 5.76 percent or higher than the national economic growth of 5.74 percent. In the coming 2019 contribution of creative economic GDP is targeted to reach 7-7.5 percent with the condition of GDP growth of Creative Industry at least 5-6 percent. In addition, the creative labor industry participation rate is also targeted to reach 10.5 -11 percent of the total national workforce, the country's foreign exchange increase reaches 6.5 percent - 8 percent.

Based on description above, this research aimed to analyze the factors that affecting employment absorption in the songket industry in Palembang.

2.0 THE DEFINITION OF MAN POWER

Man power is the most important factor in production process. As a means of production, man power is more important than others production means such as raw material, soil, water, and etc., because they are the one who operate all that resources to produce goods. Even sophisticated technology cannot defeat human's capability, because back as stated above that the operator of technology or resource is human or man power. Man power's definition based on Indonesian Regulation No. 13 year 2003 Chapter 1 article 1 paragraph 2 said that man power is

everyone who are able to work for making goods and services either for complying their needs or society. Based on outline the population of a country can be differentiated into two groups, they are man power and not man power. The population can be considered as man power if they have entered the working age. The working age limit that is applied in Indonesia is about 15 till 64 years old. Based on this definition, everyone who is able to work is called man power. Man Power is divided into two groups, they are labor force and non-labor force, that is included as labor force is man power or resident who is in working age, or has job but she/he doesn't work for a while or is looking for a job. While the non-labor force is man power or resident who are not in working age, not having job, and not looking for a job, their activities are schooling (student, collegian), taking care of household and accepting income but it is not direct reward for employment services (Fahmi, 2007).

2.1 Labor Market Theory

Labor market theory based on Sitanggang and Nachrowi (2004) is that labor market theory is all about demands of labor and labor stock in society, with all the mechanisms that enable to allow productive transaction between people who offer their labor with the businessman who need that labor. The classic thinking is that in labor market is just like as goods market. If the salary is flexible enough, the demand of labor will always be balanced with the offer. Nainggolan et.al; (2005) stated that in analysis of labor demand is assumed that the buyers labor is company and the seller of labor is household, therefore the labor demand curve is downgraded from production function of that company.

2.2 Labor Utilization Theory

Labor utilization can be connected to the interaction balance between labor demand and labor offer, where the labor demand market and labor offer market together decide the balance of salary and exertion of labor. In labor field or labor utilization, every sector is different in exertion of labor, for example labor in formal sector. It is needed special skill, education, skill and experience for being able to work in formal sector (Don Bellante and Mark Janson : 2006).

2.3 Wage Theory

Based on Indonesian Law Republic Number 13 year 2003 about employment, salary is right of labor or worker that is received money as reward from businessman of employer that is assigned and paid according to employment contract, agreement, or rule of law included allowance for worker or labor and family of a job or service that have or will be done. According to Simanjuntak

(1997), the income that is accepted labor based on their job can be divided into four format, they are:

- i. Wage or salary (money)
- ii. Indonesian salary system generally use basic salary based on level and work period, the decision basic salary is based on principals from human capital theory that said salary or wage that is given is comparable with the educational level that is reached.
- iii. Allowance such as sugar, salt, clothes etc.
- iv. Fringe benefits, is advantage outside salary of someone related to position and job such as retired, health assurance, leave etc.
- v. Environment situation, different environment situation in every company can give different satisfaction level for every labor. This condition included cleanliness, reputation of business place, craft business location, etc.

2.4 Small Industry Theory

Pratama (2012) said that small industry is the industry activities are done in resident's houses and the labors are their own family who are not banded by time and place. Small industry also can be meant as productive activity outside farming, either for main living or addition only. Small and middle company sector in processing industry field can be defined, either from quantity or quality. Most of the company in processing industry in a country is categorized into small and middle company, if the small and middle companies are defined, for example, based on quantity of labor, static value wealth, the net value of the company or the level of sales (Clapham, 1991).

2.5 Capital Theory

Capital is one most important production factor for every business, either for small scale, middle, or big one. Business small structure IK and IRT together in 1998 showed that majority of this group is financed by their own capital, while amount of business unit that used their own capital and loan is only a little. The quantity of IK business that fully used their own capital almost reach 78 percent, smaller than quantity of IRT business that achieve 85,5 percent. Most of the financial needs is paid by using loan, in IRT group the percentage is smaller (12,16%) compared IK group (23,43%) (Tambunan, 2002). The lack of small industry access to the formal credit institutions tend to make them rely their business finance from owner's equity or from other sources such as family, distributor, or even moneylenders. There are some factors that make finance institution doesn't want give loan to small business entrepreneurs, this case could be caused by (1) Giving loan to small industry is considered to be less favorable because besides the cost of lending is relatively high, the risk is appreciable (2) it is hard for finance institution to get

enough information about small industry as a debtor. This is caused by the absence of finance report in credit proposal and even it exist, that report will not adjust with standard accounting rules (Kuncoro, 1997).

3.0 METHODOLOGY

3.1 Type and Approach Research

The kind of research is used in this research is quantitative research with the deductive approach. Deductive approach is the approach that use reason to attract one or more conclusions based on a set of the premise rendered based on the theory (Bungin: 2007) in deductive approach. It is pictured the conclusions from something common into something special. According to (Sugiyono, 2009), Quantitative research is that research emphasis on testing theories through the measurement of variables research with numbers and an analysis of data by a statistical procedure. According to (Sukmadinata, 2006) the quantitative approach is the research approach on the data collected and expressed in the form of figures and take the distance between researchers with the object study by using the formal instruments, standards and its measurement. The objective is to identify the relationship between some variables and described the relationship between the variable statistically.

3.2 The Place and Time Research

As a city that having many industries and the economy, Palembang city can be said that the economic growth is depend on sector industry and employment who absorbed in Usaha Kecil Menengah (small and medium enterprises) and the large industry are dominated the employment absorption. Being the reason for this research will be dconducted at all convection industry in Palembang city.

3.3 The Definition and Measurement Variables

To avoid obscurity of meaning variable that are utilized, there are the requirement for the operational definition of each variables. According to (Hamidi: 2007) operational definition variable is definition of variables that revealed in concept definition operationally, in practice, in real terms, and in real in scope of research / objects study.

- i. Absorption of employment as a bound variable (Y) is the amount of labor that was absorbed to work in one unit of small convection industrial is expressed in person.

- ii. Capital as free variables (X_1) is the amount of funds are used for the production process of convection in month X^{th} at 2013 capital in this case is the capital to business/production expressed in rupiah.
- iii. Sales Volume as a free variable (X_2) is the amount of fabric or output convection are booked and sold to stores, expressed in rupiah.
- iv. The level of education as a free variable (X_3) is the education level of last informal labor have been taken, the unit is the number of years, when has completed a level of education, so for graduated from primary schools = 6 years old, graduated from junior high school = 9 years old, graduated from senior high school = 12 years old, and graduated from bachelor's degree = 16 years old.
- v. Wages in variable free (X_4) is a number of return for work that received by the workers on convection industry, expressed in rupiah.

3.4 The Population and Sample

The population in this research are the craftsmen of Songket in Palembang city, which the total is 21 industrial units. All populations are sampled. Each industry sampled 3 respondents. For that mean the total of employe is 63 respondents.

3.5 Data Collection Technique

In this research the researchers used questionnaires and interviews as data collection method. Questionnaires are the number of questions or the written statement are used to obtain information from respondents related with the research. From the results of the distribution of questionnaires then done the measurement by using multiple regression analysis of the results of an answer for each indicator that will be explained further on data analysis techniques.

3.6 Data Analysis Technique

Based on the theoretical basis and purpose of the reseach, the methods of analysis is used in this research is multiple linear regression, that is to know how big the influence that occur between independent variables and the dependent variable. The model that used is a model multiple linear regression equation that can be formulated as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e \quad (1)$$

Which means:

Y = Employment absorption
 β_0 = Estimator / constant
 $\beta_1 \beta_2 \beta_3 \beta_4$ = The regression coefficient

- X₁ = Capital
- X₂ = Sales volume
- X₃ = Level of education
- X₄ = Salary
- e = Residual

4.0 RESULTS AND DISCUSSION

4.1 Results

4.1.1 Respondents' Gender

Table 1: Respondents' Gender

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Male	34	54,0	54,0	54,0
Female	29	46,0	46,0	
Total	63	100,0	100,0	100,0

From Table 1, it can be seen that more than half of entrepreneurs songket in Palembang are men with a percentage of 54% or as many as 34 people, while women amounted to 46% or as many as 29 people. It can be seen from the number of entrepreneurs songket almost has the same amount, remember between women and men are just adrift five men. Quite a lot of women are starting to become entrepreneurs songket show that male dominance is not always continue, where there are times when women have their own talent to lead a business, especially the business associated with songket, which generally is often associated with women's work.

4.1.2 Respondents Age Level

Table 2: Respondents Age Level

No	Age	Amount	%
1	25 – 30 years old	8	12,70%
2	31 – 35 years old	10	15,87%
3	36 – 40 years old	10	15,87%
4	41 – 45 years old	16	25,40%
5	46 – 50 years old	6	9,52%

6	51 – 55 years old	8	12,70%
7	56 – 60 years old	5	7,94%
Total		63	100,0%

From Table 2 above also shows that employers in the field of songket in Palembang quite a lot of those aged between 41-45 years. The age that according to the most people is the age of maturity, which in that age is usually someone was in his heyday.

4.1.3 Level of Education

Table 3: Level of Labor Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Elementary School	11	17,46%	17,46%	17,46%
	Junior High School	13	20,63%	20,63%	38,10%
	Senior High School	24	38,10%	38,10%	76,19%
	College Education	15	23,81%	23,81%	100,00%
	Total	63	100,00%	100,00%	

Source: Data processed, 2016

Table 3 shows that the majority of workforce education level of employees in the songket in Palembang that most widely are High School education by the number of 24 people or 38.1%. The second highest number is higher or college education of 15 people 23.81%. While the Junior School education by the number of 13 people or 20.63%, followed by the most widely fourth, it is elementary education by the number of 11 people or by 17.46%.

4.1.4 The Level of Income/Wage

From the table 4 below, it can be seen that the minimum wage provided is Rp 400.000,-/ month, while the highest wage given is Rp 1.500.000,-. But on average, the wages received by employment in the songket industrial sector in Palembang from 63 people is Rp 730.000,-/ month

Table 4: The Labor Wage Rate of Industrial Sector

Descriptive Statistics					
	N	Minimum	Maximum	Mean	St d. Deviation
Wage	63	400000	1500000	734841,27	250104,766
Valid N (list wise)	63				

Source: Data processed, 2016

4.1.5 Working Capital

Table 5: Working Capital of Songket Industry

Capital	Frequency	Percent
3.000.000 – 7.500.000	21	33,30%
7.501.000 – 11.000.000	34	54,00%
11.001.000 – 30.000.000	8	12,70%
Total	63	100,00%

Source: Data processed, 2016

From the Table 5, it can be seen that the working capital as first step to open a business songket is quite varied, from the smallest value of Rp 3.000.000 to the largest of Rp 30.000.000. The type of songket that have average working capital between 3 million until 300 million, which is not included in this research and criteria of small industry capital is just 1 million until 35 million. So, researcher search the data just on songket that has working capital is under 35 million rupiahs.

4.1.6 The Sales Volume

Table 6 The Sales Volume

Sales Volume	Frequency	Percent
800.000 – 2.500.000	20	31,80%
2.501.000 – 6.000.000	35	55,50%
6.001.000 – 8.500.000	8	12,70%
Total	63	100,00%

Source: Data processed, 2016

From the results of Table 6 above can be seen that the smallest sales volume of the songket business in Palembang is Rp 800,000 - 2.500.00 by the number of 22 companies and the highest is Rp 8.500.000 a month. The most widely is the companies with a sales volume of between Rp 2.501.000 - Rp 6.000.000 in which the proportion is 55.50% from 63 respondents. Increase in sales turnover will become the important thing for the company in order to still survive and develop in the future.

4.3 Discussion

Through previous hypothesis testing, from variable of capital, volume of sales, education levels and wages, all four of these variables affecting employment absorption in the songket industry Palembang.

The result model of multiple linear regression equation as follows:

$$Y = 13.775 + 0.044X_1 + 0.025X_2 + 0.042X_3 + 0.038X_4 \quad (2)$$

which,

Y	=	Employment absorption
β_0	=	Estimator / constant
$\beta_1 \beta_2 \beta_3 \beta_4$	=	The regression coefficient
X ₁	=	Capital
X ₂	=	Sales volume
X ₃	=	Level of education
X ₄	=	Salary

4.3.1 The Effect of Capital to the Employment Absorption

Working capital variables together have a positive influence but not significant effect on employment absorption. If the other variables held constant, then by increasing working capital then the employment absorption could decline by 0,044. Variable of capital is influence to the employment absorption but in reality, the capital does not influence directly to the absorption, it can be seen that its characteristics has a capital of only 1 million - 35 million and the first capital which is used not only for production but there is another charge it is fixed costs are like rent or buy a building and the convection songket machine.

4.3.2 The Effect of Volume Sales to the Employment Absorption

Variable of sales volumes had a positive effect to the employment absorption. If other variables held constant, then the increases in sales volume in a songket industry will absorp employment for 0,025 times. The sales volume in the informal sector will be able to increase employment absorption. The sales volume which more is given by businessman of songket industry will tend to force the workers to do extra work and it causes the displaced job of employees and finally the policy of businessman songket is to increase the labor.

4.3.3 The Effect of Education Level to the Employment Absorption

The education level of its workforce in the songket industry in Palembang such as the workers who did not finish elementary school, graduated from elementary school, junior high school graduates, high school graduates and college graduates. Variable levels of education have a positive effect on employment absorption. If other variables held constant, so the level of education that indicates if the variable level of education more increase, then the absorption of labor will increase by 0,042. So, it can be concluded that if the social perception of consumers is more increasing then the absorption of labor will increase as well. The level of education has a dominant influence on employment absorption in small songket industries in Palembang.

4.3.4 The Effect of Wage Level to the Employment Absorption

The wage level of its workforce in the songket industry in Palembang have a positive effect on employment absorption. If other variables held constant, so the level of wage that indicates if the variable level of wage more increase, then the absorption of labor will increase by 0,038. The level of wage has a dominant influence on employment absorption in songket industries in Palembang.

5.0 CONCLUSIONS

Based on the results of research and discussion that have done, associated with factors that influence the employment absorption rate Songket Industry in Palembang, can concluded as follows:

- i. Wages are given in this songket industry in average is below the minimum wage in Palembang and education level of employees in this business mostly are high school which indeed this songket just requires the habits and skills that are not too complicated.
- ii. Capital is used by business owners on average are not from their own capital but from loan capital of their siblings, relatives, banks, etc., and the sales volume in this industry just the limited to the ability of workers to completed their work and the raw material that is capable bought by businessman.
- iii. Variable of capital has a negative effect and not significant on employment absorption.
- iv. Variable of sales volume, level of education, and wages have a positive and significant impact on employment absorption.
- v. Taken together, variable of capital, sales volume, level of education, and wages affect significantly on employment absorption variables.

- vi. While the dominant variable effect on the employment absorption is a variable level of education where the education level variable is the variable that has the highest value of regression coefficient is 0,042.

5.1 Suggestions

As a conclusion, suggestions that could be given in this research are as follows:

- i. Observing the songket industry growth in Palembang which is increasing, it's better if the songket industry in Palembang continuously improve their marketing and sales performance. The important thing is should be payed from this research is that the factors such as sales volume, level of education, and wages are variables that effect on employment absorption. Especially for the level of education, based on research results turned out, it becomes a dominant factor that effect on employment absorption. Surely this things push the songket industry to improve the quality of the employees recruitment by education level.
- ii. The potential that can be developed by the Ministry of Industry, especially songket industrial In Palembang is to provide easiness of licensing for the songket industry to distribute their production, such as ease of procurement of transportation, considering one of the variables of sales volume is a significant factor that effect on employment absorption. Where with the ease of songket company to send its products is expected to increase its sales volume in the hope of employment absorption will increase as well in order to increase the employment in Palembang City.
- iii. For further research is expected this research can be used as a reference and comparison for similar research in the future, especially in the field of employment.

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