# Analysis of Determinants of Labor Absorption in Seaweed Small and Medium Industries in Mataram City West Nusa Tenggara Province

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**ABSTRACT:** This study aims to analyze the factors that influence labor absorption in seaweed small and medium industries in Mataram City, West Nusa Tenggara Province. The variables studied include wages, production capacity, and capital. The research method used was multiple linear regression analysis with data collected through interviews, observations, and documentation using questionnaire instruments. The results showed that wages and production capacity had a positive and significant effect on labor absorption, while capital had a negative and significant effect. This study concludes that increasing wages and production capacity can increase labor absorption, while increasing capital tends to reduce labor absorption in seaweed small and medium industries in Mataram City, West Nusa Tenggara Province.

**KEYWORDS:** Wages, Production Capacity, Capital, Labor Absorption, seaweed

## I. INTRODUCTION

The new economic view considers the main objective in economic development to be not only GDP growth, but also poverty alleviation, income inequality reduction, and employment in the context of a growing economy (Todaro and Smith, 2006). Employment plays an important role in economic development. Apart from being an object that needs to be built and prospered, labor is also a perpetrator of development (Rizal et al., 2018). Therefore, labor is a support in the realization of development. On the other hand, labor can also cause various problems, such as high unemployment. As stated by Muslihatinningsih & Kusumasari (2019) In general, one of the labor problems is related to the imbalance between the number of labor force and available jobs. The imbalance between the growth of the labor force and the creation of jobs will lead to high unemployment.

Efforts that are considered appropriate to create new jobs for developing countries are through the industrial sector, especially small and medium industries. The small and medium industry sector is one of the important sectors in the economy because it is able to create and provide jobs, so that it can be a source of primary and secondary income for many people (Kristianti et al., 2023). According to Kuncoro (2003), the empowerment of the small and medium industry sector will help overcome the unemployment problem effectively. This is due to the utilization of labor-intensive technology that uses more human labor, so that it can create more jobs and business opportunities that will encourage regional development.

One of the small and medium industries that has the potential to be developed is the seaweed processing industry. Seaweed is one of the leading commodities owned by West Nusa Tenggara, this is supported by the potential of seaweed which has a total production of 707,118.09 tons in 2022, an increase compared to 2021 which amounted to 702,844.30 tons. Based on data collection conducted by the West Nusa Tenggara Provincial Maritime and Fisheries Service, there are 14 industries that process seaweed in West Nusa Tenggara, 6 of which are located in Mataram City, 4 in West Lombok, 2 in Central Lombok, and 2 in Bima Regency.

Mataram City has become one of the centers of seaweed processing industry development in West Nusa Tenggara. Small and medium seaweed industries in Mataram City aim to take seaweed raw materials and process them into various products that have a higher value. In carrying out its production activities, this industry requires the involvement of labor. Therefore, the presence of this industry will have a positive impact and open up new jobs for the local community.

The ability of seaweed small and medium industries in Mataram City to absorb labor can be seen from several determinants. According to the Big Indonesian Dictionary, determinants are factors or elements that determine or influence something.

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Determinants in this study refer to factors such as wages, production capacity, and capital that can affect labor absorption in seaweed small and medium industries in Mataram City, West Nusa Tenggara Province. Therefore, this study aims to analyze the factors that influence (determinants) the absorption of labor in the small and medium seaweed industry in Mataram City, West Nusa Tenggara Province.

## II. LITERATURE REVIEW

### A. Small and Medium Industries

An industrial company or business is a business unit that carries out economic activities, aims to produce goods and services, is located in a certain building or location, and has its own administrative records regarding production and cost structure and there is one or more responsible for the business. The Central Bureau of Statistics divides processing industry companies into 4 groups, namely: 1.) Large Industry (number of workers 100 people or more), 2.) Medium Industry (number of workers 20-99 people), 3.) Small Industry (number of workers 5-19 people), 4.) Household Industry (number of workers 1-4 people) (Central Bureau of Statistics, 2023).

According to Ministerial Regulation 64/M-IND/PER/7/2016, what is meant by small industry is an industry that employs at most 19 workers and has an investment value of less than Rp. 1,000,000,000 excluding land and buildings for business premises. The land and buildings of the business premises as intended are land and buildings whose location is one with the location of the business owner's residence. Then medium industry is an industry that employs at most 19 workers and has an investment value of at least Rp. 1,000,000,000 or employs at least 20 workers and has an investment value of at most Rp. 15,000,000,000.

### B. Employment

Based on Law No. 13 of 2003 concerning Manpower, Manpower is all matters relating to labor at the time before, during, and after the work period. Meanwhile, labor is everyone who is able to carry out their work both inside and outside of labor relations in order to produce goods and services to meet the needs of society. According to Ansori & Priyono (2018) labor is one of the capital or key factors in production. In addition, labor is also considered an important element that can influence success in producing goods and services.

Labor is the population at working age (15 years and above) or 15 to 64 years who are potentially able to work (Devi, 2018). According to Latipah and Inggit (2017) labor includes people who are working, looking for work, and who carry out other activities such as school and household care. According to Fauziah (2015), labor refers to people of productive age who are potentially able to contribute to the production of goods and services. In other words, labor refers to all individuals in a country who have the ability to be actively involved in economic activity.

Labor absorption can be defined as the acceptance of labor actors to perform tasks as they should or the existence of a situation that describes the availability of jobs or jobs that can be filled by job seekers (Todaro & Smith, 2006). According to Kawet et al. (2019) labor absorption is the amount of labor that can be absorbed by various sectors at a time. According to Hamdani and Munzir (2019). Labor absorption basically depends on how much work is available or the existing labor demand. This reflects how much the ability of a company or sector to absorb available labor. According to Paramita and Christianingrum (2017), labor absorption can be related to the balance of interaction between labor demand and labor supply.

### C. Wages

According to Government Regulation of the Republic of Indonesia Number 36 of 2021 concerning wages, wages are the rights of workers / laborers who are received and expressed in the form of money as compensation from employers or employers to workers / laborers who are determined and paid according to a work agreement, agreement, or laws and regulations, including benefits for workers / laborers and their families for a job and / or services that have been or will be performed. According to Suhartini et al. (2020) wages are all kinds of payments arising from employment contracts, regardless of the type of work and agreements resulting from agreements between workers and employers.

The neo-classical theory states that employees earn a wage equal to the increase in their marginal output. The neo-classical theory considers that wages are quite flexible in the labor market, so that labor demand is always balanced with labor supply and there is no possibility of unemployment (Sely, 2019). Meanwhile, according to Malthus, one of the classical figures stated that if the population increases, the supply of labor also increases so that it can reduce the wage rate. Vice versa, the wage rate will increase if the labor supply decreases due to the decreasing population (Pangastuti, 2015).

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## D. Production Capacity

Production capacity is the level of a company's ability to produce a good or service supported by the availability of facilities in the form of labor and equipment, and is usually expressed in the amount of output that can be produced for a certain period of time (Rani, 2019). According to Raharjo (2023) production capacity is the maximum amount of production that can be achieved within a certain period of time, the capacity is expressed as the number of output units per period. According to the Harrod-Domar Theory in Sukirno (2007) which states that increasing production capacity will increase the amount of labor required.

## E. Capital

Capital is the amount of money used to carry out business activities. Capital is an important factor in determining the running of a business to make a profit (Devy, 2021). Business capital includes own capital, which is capital obtained from the business owner itself, including savings, donations, grants, and others, while foreign capital (loans) is capital obtained from outside the company in the form of loans (Mardiyatmo, 2018). Based on production theory to produce, a business requires capital. The greater the capital owned, the greater the production produced. Capital needs to be combined with labor, so the higher the value of capital, the greater the labor required. In other words, labor absorption will increase if business capital increases. (Habibi and Marta, 2023).

## III. METHODOLOGY

The type of research used in this study is quantitative research with a descriptive approach. This research will be conducted in small and medium seaweed industries in Mataram City, West Nusa Tenggara Province. The population in this study was 6 industries. The data collection method in this study uses the census method by sampling all members of the population. Primary data was collected by interview, observation, and documentation using a questionnaire instrument.

The data analysis used is multiple linear regression analysis to test the influence relationship between more than one independent variable on one dependent variable. The goal is to understand the extent to which the independent variable affects the dependent variable. The multiple linear regression equation model used in this study is:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e_i$$

Description:

Y = Labor Absorption

$\alpha$ = Constant

$\beta_1, \beta_2, \beta_3$ = Regression coefficient of each variable

$X_1$ = Wage

$X_2$ = Production Capacity

$X_3$ = Capital

$e_i$ = Error Term

## A. Statistical Test

### F Test (Simultaneous)

The conditions that the f test has are as follows:

1. If the significance value <0.05 or $H_0$ is rejected and Ha is accepted, it means that the independent variables together (simultaneously) have a significant effect on the dependent variable.
2. If the significance value> 0.05 or $H_0$ is accepted and Ha is rejected, it means that the independent variables together (simultaneously) have no significant effect on the dependent variable.

### T Test (Partial)

The conditions that the partial test has are as follows:

1. If the probability (significance) <0.05 or t count> t table, then $H_0$ is rejected and Ha is accepted.
2. If the probability (significance) > 0.05 or t count < t table, then $H_0$ is accepted and Ha is rejected.

### Coefficient of Determination (R2)

The coefficient of determination ($R^2$) ranges from 0 to 1. If the $R^2$ value is closer to 1, it indicates that the results for the regression model are good or the independent variables as a whole can explain the dependent variable. Meanwhile, if the $R^2$ value is closer to 0, it means that the independent variables as a whole cannot explain the dependent variable.

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## IV. RESULT AND DISCUSSION

### A. Classical Assumption Test

*Normality test:* The normality test is carried out to test whether in a regression model, an independent variable has a normal distribution or not. In this study, the normality test was carried out using the shapiro-wilk test, because this test is generally used for small samples. With the provision that the data is normally distributed if it meets the criteria for sig value> 0.05, otherwise if the sig value <0.05 then the data is said to be not normally distributed. The results of the normality test can be seen in the following table:

**Table 1. Normality Test**

| Tests of Normality | | | | | | |
|---|---|---|---|---|---|---|
| | Kolmogorov-Smirnov[a] | | | Shapiro-Wilk | | |
| | Statistic | Df | Sig. | Statistic | df | Sig. |
| Wages | .185 | 6 | .200[*] | .976 | 6 | .929 |
| Production Capacity | .288 | 6 | .130 | .805 | 6 | .066 |
| Capital | .321 | 6 | .054 | .831 | 6 | .109 |
| *. This is a lower bound of the true significance. | | | | | | |
| a. Lilliefors Significance Correction | | | | | | |

Based on the results of the normality test with the shapiro-wilk test, the significance value for the wage variable (X1) is 0.929, for the production capacity variable (X2) is 0.066, and for the capital variable (X3) is 0.10. Because the significance value of the three variables is more than 0.05, it can be said that the normality assumption is fulfilled.

*Multicollinearity Test:* The multicollinearity test aims to determine whether the regression model found a correlation between variables. To find whether or not there is multicollinearity in the regression model, it can be seen from the variance inflation factor (VIF) provided that the VIF value must be smaller than 10 (Ghozali, 2016). The multicollinearity test results can be seen in the following table:

**Table 2. Multicollinearity Test**

| Coefficients[a] | | | |
|---|---|---|---|
| | | Collinearity Statistics | |
| Model | | Tolerance | VIF |
| 1 | Wages | .210 | 4.759 |
| | Production Capacity | .282 | 3.550 |
| | Capital | .118 | 8.485 |
| a. Dependent Variable: Labor Absorption | | | |

Based on the multicollinearity test results, it is known that each independent variable, namely wages ($X_1$), production capacity ($X_2$), and capital ($X_3$) has a VIF value < 10, so it can be concluded that there is no multicollinearity.

*Heteroscedasticity Test:* This test aims to test whether in a regression model there is an inequality of variance from residuals in one observation to another. If the variance is different, it is called heteroscedasticity. One way to determine whether there is heteroscedasticity in a multiple linear regression model, namely by using the Glejser test. This test is done by regressing the independent variables with the residuals of the regression model. If the probability value on each variable is greater than 0.05, it means that there is no heteroscedasticity problem in the regression model and vice versa (Ghozali, 2016). In this study, the heteroscedasticity test was carried out using the Glejser test. The results of the heteroscedasticity test can be seen in the following table:

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**Table 3. Heteroscedasticity Test**

| Coefficients^a | | t | Sig. |
|---|---|---|---|
| Model | | | |
| 1 | (Constant) | .547 | .639 |
| | Wages | .366 | .749 |
| | Production Capacity | -.267 | .814 |
| | Capital | -.307 | .788 |
| a. Dependent Variable: ABS_RES | | | |

Based on the results of the heteroscedasticity test with the Glejser test, the significance value for the wage variable (X1) is 0.749, for the production capacity variable (X2) is 0.814, and for the capital variable (X3) is 0.788. Because the significance value of the three variables is more than 0.05, it can be said that there are no symptoms of heteroscedasticity.

*B. Multiple Linier Regression*

Multiple linear regression analysis is a method used to test the effect of two or more independent variables on one dependent variable (Ghozali, 2016). The results of data processing can be seen in the following table:

**Table 4. Multiple Linier Regression**

| Coefficients^a | | Unstandardized Coefficients | |
|---|---|---|---|
| Model | | B | Std. Error |
| 1 | (Constant) | -2.298 | 1.796 |
| | Wages | 1.047 | .170 |
| | Production Capacity | .832 | .095 |
| | Capital | -.938 | .147 |
| a. Dependent Variable: Labor Absorption | | | |

Based on the table above, the multiple linear regression equation can be made as follows:

$$Y = -2.298 + 1.047 X_1 + 0.832 X_2 - 0.938 X_3$$

Description:

Y = Labor Absorption

$X_1$ = Wage

$X_2$ = Production Capacity

$X_3$ = Capital

Based on the results of the multiple linear regression equation above, it can be explained as follows:

- The constant coefficient is negative, namely -2.298. This shows that there is an unidirectional or opposite relationship between the independent variable and the dependent variable. This means that if all independent variables, namely wages, production capacity, and capital are considered constant or unchanged, then the absorption of labor in the seaweed small and medium industries in Mataram City, West Nusa Tenggara Province tends to decrease.

- The coefficient value of the wage variable (X1) is positive (+) of 1.047, which means that there is a unidirectional relationship between the wage variable (X1) and the employment variable (Y). This means that if wages increase, then employment in the seaweed small and medium industry in Mataram City, West Nusa Tenggara Province will also increase, assuming other variables are considered constant.

- The coefficient value of the production capacity variable (X2) is positive (+) of 0.832, which means that there is a unidirectional relationship between the production capacity variable (X2) and the employment variable (Y). This means that if production capacity increases, then employment in the seaweed small and medium industries in Mataram City, West Nusa Tenggara Province will also increase, assuming other variables are considered constant.

- The coefficient value of the capital variable (X3) is negative (-) of -0.938, which means that there is an unidirectional or opposite direction relationship between the capital variable (X3) and the employment variable (Y). This means that if capital increases, then employment in the small and medium sea mud industry in Mataram City, West Nusa Tenggara Province will decrease, assuming other variables are considered constant.

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### C. Statistical Test

**F Test (Simultaneous):** The F test is a test used to test whether the independent variables together (simultaneously) affect the dependent variable. The results of the f test can be seen in the following table:

**Table 5. F Test (Simultaneous)**

| ANOVA[a] | | | |
|---|---|---|---|
| Model | | F | Sig. |
| 1 | Regression | 51.363 | .019[b] |
| | Residual | | |
| | Total | | |
| a. Dependent Variable: Labor Absorption | | | |
| b. Predictors: (Constant), Capital, Wages, Production Capacity | | | |

Based on the results above, a significant value of 0.019 is obtained, which means that the significant value is below 0.05 (0.019 < 0.05). This shows that the hypothesis in the study accepts Ha and rejects H0. So it can be concluded that the variables of wages, production capacity, and capital simultaneously affect the absorption of labor in the seaweed small and medium industries in Mataram City, West Nusa Tenggara Province.

**T Test (Partial):** Partial test is a test used to ascertain whether the independent variables in the regression model have a significant effect individually on the dependent variable (Ghozali, 2016). The t test results can be seen in the table below:

**Table 6. T Test (Partial)**

| Coefficients[a] | | | |
|---|---|---|---|
| Model | | T | Sig. |
| 1 | (Constant) | -1.280 | .329 |
| | Wages | 6.167 | .025 |
| | Production Capacity | 8.714 | .013 |
| | Capital | -6.374 | .024 |
| | a. Dependent Variable: Labor Absorption | | |

The results of the t test (partial) above can be explained as follows:

- The effect of wages ($X_1$) on employment (Y).

  The t test results (partial) on the wage variable have a significant value of 0.025 or smaller than 0.05 (0.025 < 0.05). So it can be concluded that the wage variable has a significant effect on labor absorption in the seaweed small and medium industry in Mataram City, West Nusa Tenggara Province.

- The effect of production capacity ($X_2$) on employment (Y).

  The results of the t test (partial) on the production capacity variable have a significant value of 0.013 or smaller than 0.05 (0.013 <0.05). So it can be concluded that the production capacity variable has a significant effect on labor absorption in the seaweed small and medium industry in Mataram City, West Nusa Tenggara Province.

- The effect of capital ($X_3$) on labor absorption (Y).

  The results of the t test (partial) on the capital variable have a significant value of 0.024 or smaller than 0.05 (0.024 <0.05). So it can be concluded that the capital variable has a significant effect on labor absorption in the seaweed small and medium industry in Mataram City, West Nusa Tenggara Province.

**Coefficient of Determination ($R^2$):** The coefficient of determination ($R^2$) test is a test used with the aim of measuring how much the independent variable affects the dependent variable (Ghozali, 2016).

**Table 7. Coefficient of Determination ($R^2$)**

| Model Summary | | | | |
|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .994[a] | .987 | .968 | .08904 |
| a. Predictors: (Constant), Capital, Wages, Production Capacity | | | | |

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Based on the test results in the table above, the R-square value is 0.968. This means that the variables of wages, production capacity, and capital can explain the dependent variable, namely labor absorption in the seaweed small and medium industry in Mataram City, West Nusa Tenggara Province by 96.80%. The remaining 3.20% can be explained by other factors outside this research model.

## D. Discussion

***The effect of wages (X1) on employment (Y):*** Based on the results of the data analysis test, it shows that the regression coefficient value of the wage variable is 1.047 with a significance level of 0.025 <0.05. This shows that wages have a positive and significant effect on labor absorption in the seaweed small and medium industry in Mataram City, West Nusa Tenggara Province. This means that if wages increase, then labor absorption will increase. The results of this study are in line with research conducted by (Putri et al. 2022; Marliani, 2022; Ramly, 2020) which shows that wages have a positive and significant effect on labor absorption.

***The effect of production capacity (X2) on employment (Y):*** Based on the results of the data analysis test, it shows that the regression coefficient value of the production capacity variable is 0.832 with a significance level of 0.013 <0.05. This shows that production capacity has a positive and significant effect on labor absorption in the seaweed small and medium industry in Mataram City, West Nusa Tenggara Province. This means that if the production capacity increases, then the absorption of labor will increase. The results of this study differ from research conducted by (Aslan, 2017) which shows that the effect of production capacity has a negative and insignificant effect on labor absorption.

***The effect of capital (X3) on labor absorption (Y):*** Based on the results of the data analysis test, it shows that the regression coefficient value of the capital variable is -0.938 with a significance level of 0.024 <0.05. This shows that capital has a negative and significant effect on labor absorption in the seaweed small and medium industry in Mataram City, West Nusa Tenggara Province. The results of this study are slightly different from research conducted by (Putri et al. 2022) which shows that capital has a positive and significant effect on labor absorption, and research conducted by (Ginting, 2023) which shows that capital has a negative and insignificant effect on labor absorption.

## V. CONCLUSIONS

Based on the results of research and discussion of the effect of wages, production capacity, and capital on labor absorption in seaweed small and medium industries in Mataram City, West Nusa Tenggara Province. Then the following conclusions can be drawn:

- The variables of wages and production capacity partially have a positive and significant effect on labor absorption in the small and medium seaweed industry in Mataram City, West Nusa Tenggara Province. While the capital variable has a negative and significant effect on the absorption of labor in the small and medium seaweed industry in Mataram City, West Nusa Tenggara Province.
- The variables of wages, production capacity, and capital simultaneously have a significant effect on labor absorption in seaweed small and medium industries in Mataram City, West Nusa Tenggara Province.

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