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Analysis of Factors Affecting Labor Absorption in the Small and Medium Industry Sector in West Nusa Tenggara Province in 2019-2023

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ABSTRACT

The purpose of this study is to ascertain how labor absorption is impacted by investment value, production value, and district minimum wage in the province of West Nusa Tenggara's small and medium-sized industry sector. Quantitative research is the methodology employed. The West Nusa Tenggara Provincial Industry Service provided the secondary data that was used. Documents are the method used to collect data. The data analysis method is panel data regression using the eViews 9 analysis tool. The panel data utilized in this study consists of cross-sectional data (from 10 cities/regencies in the province of West Nusa Tenggara) and team series data (from 2019–2023). The data analysis's findings demonstrate that the elements of production value, investment value, and provincial minimum wage all work together to significantly impact labor absorption in West Nusa Tenggara Province's small and medium-sized industry sector. The Investment Value and District Minimum Wage variables each have a positive and significant impact on labor absorption separately (partially), whereas the Production Value variable has a negative and insignificant effect on labor absorption in West Nusa Tenggara Province's small and medium-sized industries.

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1. INTRODUCTION

Economic development is a method or a form of policy used by the government to improve people's welfare and has the goal of improving people's living standards, creating more job opportunities, and creating equal income at all levels of society. A nation's industrialization process is linked to its development process. One of the steps toward a positive development process is industrialization, which can raise living standards by creating more work possibilities for the local population (Siburian & Woyanti, 2013).

One of the economic sectors that is developing in Indonesia is the industrial sector which is a driver of progress in various other alternative economic sectors. Out of the 118 million workers that were available, 15.37 million were absorbed by the industrial sector in 2012, according to statistics from the Central Statistics Agency (BPS). Small and

medium-sized businesses (SMEs) account for around 61.57% of the industrial sector's overall workforce absorption. Because the Small and Medium Industry (IKM) sector is a sub-sector that oversees various small- or medium-sized industries, including household industries and other small-scale industries that are simpler for the community, particularly the middle and lower economic communities, to form, the absorption of SMEs is superior. As a result, small and medium-sized businesses have a great deal of potential to grow and advance further, which will eventually aid in lowering Indonesia's unemployment rate.

One of the key objectives of economic development via the process of industrialization is the supply of enough jobs to pursue the expansion of the labor force faster than the increase of employment possibilities. This demonstrates that one of the primary issues that has not yet been addressed is the high unemployment rate. The number of people in the work force is growing annually due to the population's continuous growth. Consequently, both the number of persons seeking for employment and those who are jobless have increased. To make up for this issue, labor absorption must be increased. It can increase workforce absorption as the industrial sector develops.

A form of empowerment of weak economic communities engaged in various sectors is known as the SME subsector. So that the number of small and medium industries is very large and exists in all fields of the economy and as a whole in the territory of Indonesia. The SME sector can absorb a lot of labor in various sectors and regions because it is widespread. The types of SMEs that develop also vary due to the diversity of cultures and traditions that exist in Indonesia. In addition, small and medium industries (SMEs) are better able to survive the economic crisis. This was proven in the 1998 crisis, SMEs were able to survive the decline made by other major efforts. Although the number of SMEs is increasing after the crisis occurred.

One of the industrial sectors that supports the economy is the small and medium-sized industrial sector. Ratnasari (2013) asserts that the small and medium-sized company sector is crucial to the Indonesian economy, especially when it comes to labor absorption. As of August 2021, the Central Statistics Agency (BPS) reported that there were 18.20 million workers in the industrial sector and 4.41 million small and medium-sized enterprises (SMEs). The aforementioned statistic represents 14.3% of Indonesia's overall workforce. Based on the data, the industrial sector is in third place as the sector that absorbs the most labor under the agriculture, forestry, and fisheries sectors (37.13 million) and the large trade and retail sectors (25.74 million).

West Nusa Tenggara Province in expanding small and medium industrial activities to increase labor demand which will affect the increase in labor absorption, cannot be separated from the factors that affect it, such as the investment value, production value and the district minimum wage. One The growth of small and medium-sized or labor-intensive industries is one strategy to increase industrial activity. Employment will rise when business units in a sector—in this example, small and medium-sized industries in a region—grow.

2. LITERATURE REVIEW

2.1 Small and Medium Industries (SMEs)

Industry is an economic activity that mechanically, chemically or by hand transforms a basic good into a semi-finished or finished goods or in other words makes goods that are less valuable into goods of higher value so that they are closer to the end user (Central Statistics Agency, 2015).

Small and medium industries can be defined as a business entity, both formal and informal, as well as individuals and groups that carry out production processes to produce goods and services on a small and medium scale and SMEs are small and medium-scale industrial enterprises that have a workforce of between 5 and 99 people (Fauziah, 2015).

The definition of small industry and medium industry is based on Government

Regulation No. 41/M-IND/PER/6/2008 concerning Provisions and Procedures for Granting Industrial Business Licenses, Expansion Permits and Industrial Procedures, it is determined that small industry is an industry with an investment value between Rp. 5,000,000 to Rp. 200,000,000 and has assets below the value of Rp. 600,000,000 excluding buildings where businesses and land are located, obliged to take care of licensing. Medium/medium industry is an industry whose investment value is between Rp. 200,000,000 to Rp. 500,000,000 and has assets of no more than Rp. 1,000,000,000 excluding land and buildings where the business is located, is required to take care of licensing. (Provisions and Procedures for the Granting of Industrial Business Licenses, Expansion Permits and Industrial Procedures, 2008).

According to Bank Indonesia, small industries are classified based on the number of sales not exceeding Rp. 2,000,000,000 and wealth of not more than Rp. 600,000,000. Medium industries have a maximum sales amount of Rp. 4,000,000,000 and a maximum wealth of Rp. 1,000,000,000.

2.2 Workforce

Labor is one of the production factors used in carrying out the production process. In the production process, workers earn income in return for the work they have done, namely in the form of wages or salaries.

According to Djojohadikusumo (in Misbach, 2011), the workforce is all people who are willing and willing to work, including those who are unemployed even though they are willing and willing to work and those who are unemployed because there are no job opportunities. A person's ability to perform a job can be used to determine whether a person falls into the category of labor or non-labor. Everyone who has the ability to work can be classified according to the labor group.

The Central Statistics Agency (BPS) defines the workforce as any working-age population that has held a job for the preceding week, including individuals who are employed or temporarily employed for reasons like waiting for the harvest or employees on leave. The labor force also includes those who are unemployed but are seeking or hope to find employment. People in the working age group are those who are between the ages of 15 and 64 (BPS, 2009).

2.3 Labor Absorption

The number of employees in a business unit is known as labor absorption. External and internal factors are the two variables that influence labor absorption. Inflation, economic growth, unemployment, and interest rates are examples of external forces. In its application in the business world, external factors are controlled by the government. Meanwhile, internal factors are influenced by labor productivity, wage levels, capital and non-wage expenditures (Handoko, 2015).

SMEs have a lot of potential and can also carry out various equitable distributions, one of which is expansion to expand labor absorption. According to Prabowo (in Woyanti, 2010), the number of business units has a positive impact on labor demand, hence if an IKM's business unit count rises, so will the need for workers. The Small and Medium Industry (IKM) sector will have more company units in a given location, which will increase the number of jobs available. This rise in employment would raise labor demand. Therefore, it may be said that the more SMEs are founded, the more firms or business units are absorbed.

SMEs have a vital role as a sector that has the capacity to absorb workers because of their significant workforce participation. where the presence of small and medium-sized businesses (SMEs) in a region will significantly aid in initiatives to boost local labor absorption.

2.4 Investment

One definition of investment is the money spent by businesses or investors to buy capital goods and production equipment in order to boost the economy's capacity to generate products and services (Sukirno, 1997: 107). Humans control materials, and labor or resources power machines.

This investment value is calculated based on the price or the value of the condition of the machine and equipment when purchased. Such investments determine

the scale of a sector's business and will have an impact on the ability to try to use product factors. Therefore, it has to do with the amount of investment made by the company, which will ultimately take turns to contribute to the rate of labor absorption.

Investment consists of the formation of fixed capital and stock of goods, such as machinery, equipment, buildings, raw materials, vehicles, and so on. There are several values in working capital investment, which consist of: Purchase of new capital goods, major improvements to goods that can increase capabilities or increase lifespan, sale of used capital goods and stock changes.

Investment determines the scale of the business of an industry and can affect a business's ability to use the inputs of production factors. The amount of investment made by companies lately is a factor that determines the rate of labor absorption.

The main factors to determine the level of investment are as follows: The level of investment profits that will be expected to be obtained, the interest rate, the forecast of the economic situation in the future, the level of national income and its changes and the profits obtained by the company.

2.5 Production

The production value of a product is generated from the number of inputs used in the manufacturing process and the output output produced by the product produced. Production value is the number of inputs used in the manufacturing process and the output output produced by the product.). Production is the quantity of things produced overall or the pace of production within an industry. If the company's products output rises, producers tend to raise their production capacity, which is influenced by fluctuations in market demand for the company's production. Producers will use more workers for this reason (Sumarsono, 2003:69-70).

Production is an activity carried out by producers in the form of combining (resources) to produce output. Resources or inputs are grouped into human resources (labor and managerial ability), capital, land or natural resources (Sugitanto, 2002:88). The nature and function of production is that an industry must believe or believe in the theory of "The Law of diminishing return" theory which states that if a company continuously adds one unit of labor while the other labor force does not change, then the next additional labor force will get an additional output that is decreasing (Mc. Eachern, 2001).

2.6 Minimum Wage

Economically, wages contain the meaning of a price for the return for services received by workers. Workers are one of the factors of the production function. Similar to price theory, the price of a worker is a wage, meaning it is an interaction of the forces of demand and supply.

According to the classical Neo theory, wages in return mean to increase profits in the company, namely using the production factor, now one of the factors of production is the worker. Thus, workers will get a reward equal to the marginal added value in a production (Simanjutak; 1985).

The wage level affects the absorption of labor. For companies, wages are costs. products so that entrepreneurs will minimize their production costs, or labor costs to achieve the best profits. If the wage rate increases, then the company's production costs will increase, and the price per unit of goods. that will be produced. With the price increase, consumers will reduce the amount they consume. Many manufactured goods are thus unsold, forcing firms to cut back on production in order to minimize the number of workers needed.

A higher pay rate will result in higher production expenses for the business, which will raise the cost of items produced per unit. The price of things is typically instantly lowered by consumers. consumption, or even a hesitancy to purchase important items. Manufacturers are forced to produce fewer goods as a result of the large number of unsold items. absence of output goals, which results in less employees being needed. The term "production scale effect" describes how a reduction in the size of production, or the impact of scale, can lead to a decrease in the quantity of labor needed. If salaries increase, the business owner will benefit (provided the cost of other capital items do not change). by

replacing the need for manpower in the production process with reliable capital technology that satisfies the standards for capital products like equipment and others. a reduction in the quantity of labor needed as a result of labor substitution brought about by the installation or replacement of machines.

3. METHODS

3.1 Types of Research

Quantitative research is the methodology employed. Secondary data from NTB One and the West Nusa Tenggara Provincial Industry Office were used. It is a paper with data gathering methods. The figures utilized in this study include the amount of labor absorption, production value, district minimum wage, and investment value in the small and medium-sized company sector in West Nuusa Tenggara Province between 2019 and 2023.

3.2 Data Analysis Methods

Panel data regression utilizing the eViews analysis tool 9 is the data analysis technique employed in this investigation. The panel data used in this study consists of both team series data (from 2019–2023) and cross section data (from 10 cities/regencies in West Nusa Tenggara Province). The following is the panel data regression equation:

$$TKitIKMit = \beta_0 + \beta_1 X1_1it + \beta_2 X2_2it + \beta_3 X3_3it + eit$$

Information:

ARRIVAL	:P Absorption of the IKM Workforce
b_0	:Konstanta
B_1, B_1, B_3, B_4	: Regression Coefficient
X1it	: Production Value (in millions of rupiah)
X2it	: Investment (in millions of rupiah)
X3it	: District minimum wage (in millions of rupiah)
eit	: Error term

The Chow test, Hausman test, and Langrange multiplier are used to determine the estimate technique for the panel data regression analysis, which comprises choosing which of the Common Effect, Fixed Effect, and Random Effect models to use. Out of the three-panel data regression analysis models, the best model will be chosen and used to the significance test (t-test and f-test) as well as the traditional assumption test.

4. RESULTS AND DISCUSSION

4.1 Model Selection Specification Test

The Common Effect Model, Fixed Effect Model, and Random Effect Model are the three types of techniques that may be utilized in panel data analysis to decide which model is best for panel data regression analysis. The outcomes of the model selection specification test are as follows:

4.1.1 Chow Test

The Common Effect Model (CEM) and the Fixed Effect Model (FEM) are compared in the Chow test findings to determine which model need to be applied. Table 1 displays the following outcomes of using the Chow Test to test model specifications:

Table 1 Specification Test (Chow Test)

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.385280	(9,37)	0.0305
Cross-section Chi-square	22.877676	9	0.0065

Source : Eviews Output Results

The Chi-square probability value is 0.0065 based on the model specification test results utilizing the previously mentioned Chow Test. This suggests that Ho is rejected and Ha is accepted as the Chi-square probability value is 0.0065 < 0.05. This suggests that the Fixed Effect Model (FEM) is the best model to use, requiring the Hausman Test, the following test.

4.1.2 Hausman Test

To determine whether of the Fixed Effect Model (FEM) and Random Effect Model (REM) should be employed, a thirst test is performed. The following are the results of the thirst test requirements:

Table 2 Specification Test (Hausman Test)

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.314374	3	0.7257

Source : Eviews Output Results 9

The probability value is 0.7257 based on the model specification test results using the Hausman Test mentioned above. This suggests that given that the probability value is 0.7257 > 0.05, Ho is rejected and Ha is approved. This implies that the Random Effect Model (REM) is the most appropriate model to employ, necessitating the subsequent test known as the Langrange Multiplier (LM) Test.

4.1.3 Uji Lagrange Multiplier (LM)

The Lagrange Multiplier test is used to determine whether of the Random Effect Model (REM) and the Common Effect Model (CEM) is better suited for use. The following are the results of the LM test:

Table 3 Specification Test (LM Test)

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis Cross-section	Time	Both
Breusch-Pagan	4.087795	0.571643	4.659438
	(0.0432)	(0.4496)	(0.0309)

Source : Eviews Output Results 9

Based on the results of testing the model specifications using the LM (Lagrange Multiolier) Test above, it can be concluded that the Random Effect Model (REM) is the most appropriate model to use because the probability value is 0.0432, which is less than 0.05, meaning that Ho is rejected and Ha is accepted.

4.2 Classic Assumption Test

The normality, autocorrelation, heteroscedasticity, and multicollinearity tests make up the traditional assumption test. Basuki (2015) asserts that since panel data is cross-sectional and autocorrelation only happens in time series data, an autocorrelation test is not necessary when working with panel data. Furthermore, since it is not a need, the normalcy test is likewise

not required. The outcomes of the traditional assumption test are as follows:

4.2.1 Normality Test

The purpose of the normality test is to determine whether or not the values of the residual variables—bound and free variables—have a normal contribution. The residual variable is considered to be regularly distributed if the probability value is greater than 0.05. The residual variable has an irregular distribution if the probability value is less than 0.05. Following data processing using the Eviews 9 program, the following outcomes are obtained:

	And	X1	X2	X3
Mean	3049.020	384997.4	171060.1	2.221458
Median	1415.500	12087.38	14999.50	2.207212
Maximum	17009.00	8751037.	3060398.	2.598079
Minimum	63.00000	0.185000	2.474453	2.012900
Std. Dev.	3863.146	1405034.	523069.9	0.131998
Skewness	2.226738	4.906866	4.240041	0.372771
Kurtosis	7.531275	27.81193	21.55318	3.144942
Jarque-Bera	84.09564	1483.211	866.9423	1.201752
Probability	0.000000	0.000000	0.000000	0.548331
Sum	152451.0	19249869	8553003.	111.0729
Sum Sq. Dev.	7.31E+08	9.67E+13	1.34E+13	0.853745
Observations	50	50	50	50

Figure 1. Normality Test

Source : Output Eviews 9 Results

Based on the results of the above test, the results of the data normality test were obtained based on the results of Skewness and Kurtosis. The results of the Labor Absorption (ROA) test have a skewness value of 2.226738 and a kurtosis value of 7.531275, which means that these values are distributed normally because each is in the range of -2 to +2 for skewness and -7 to +7 for kurtosis.

Likewise, for the variable Production Value (MBVE) with a skewness value of 4.906866 and kurtosis of 27.81193, the Investment variable with a value of 4.240041 in skewness and 21.55318 in kurtosis, and also the variable of the Provincial Minimum Wage with 0.3727711 for skewness and 3.144942 for kurtosis. Each variable is normally distributed because the normality test results are in the range of - 2 to +2 for skewness and -7 to +7 for kurtosis. (Shafira Rahma Kurnia & Aldi Akbar, 2023).

4.2.2 Multicollinearity Test

To determine if the regression model discovered a connection between the independent variables, the multicollinearity test was employed. It is evident that the multicollinearity test is only conducted in the case of multiple regression (more than one free variable) since Firmansyah (2008) states that multicollinearity happens when there is a strong correlation between the free variables in a model during the regression process. Multicollinearity is absent if the free correlation coefficient value is less than 0.85, and it is present if the free correlation coefficient value is more than 0.85. The multicollinearity test yielded the following findings:

	And	X1	X2	X3
And	1.000000	0.469986	0.407901	-0.262781
X1	0.469986	1.000000	0.504382	-0.066412
X2	0.407901	0.504382	1.000000	-0.098314
X3	-0.262781	-0.066412	-0.098314	1.000000

Figure 2. Multicollinearity Test

Source : Eviews Output Results 9

Based on the results of the multicollinearity test above, the free correlation coefficient < 0.85 is 0.469986, 0.504382 and -0.066412. So it can be concluded that it is free from the problem of multicollinearity.

4.2.3 Heteroscedasticity Test

The heteroscedasticity test is used in regression model analysis to determine if the residual variance from one observational observation to another is equal to the residual value utilized. Such a regression model is referred to as homoskedastic if the observation result of the residual variance value is fixed. And if the observation results of the residual variance value are different, then the regression model is called Heteroscedasticity. Thus, in order for the regression model used to be said to be good or there are no problems, the residual results must be absent or there are symptoms of Heteroscedasticity (Gujarati, 2007). The following are the results of the heteroscedasticity test:

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9328.314	4173.659	2.235045	0.0303
X1	3.86E-05	0.000206	0.187491	0.8521
X2	0.002429	0.000556	4.373078	0.6521
X3	-3356.109	1869.951	-1.794758	0.0793

Figure 3. Heteroskedastisitas

Source : Eviews Output Results 9

The findings of the variable probability value, namely X1 with a value of 0.8521, variable X2 with a value of 0.6521, and variable X3 with a value of 0.0793, were derived from the aforementioned heteroscedasticity test results. Therefore, it may be said that the variables X1, X2, and X3 are greater than 0.05, indicating that the residual value is free or that heteroscedasticity symptoms are absent.

4.3 Significance Test (REM Main Model)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	18992.21	7343.340	2.586318	0.0129
X1	0.000955	0.000370	2.582146	0.0131
X2	0.001378	0.000999	1.379761	0.1743
X3	-7448.446	3282.013	-2.269475	0.0280

R-squared	0.350048	Mean dependent var	1770.452
Adjusted R-squared	0.307660	S.D. dependent var	3471.623
S.E. of regression	2888.632	Sum squared resid	3.84E+08
F-statistic	8.258166	Durbin-Watson stat	1.875228
Prob(F-statistic)	0.000168		

Source : Eviews Output Results 9

4.3.1 Partial Test (t)

The results of the t-test analysis showed that each independent variable individually had a significant effect or not on the bound variable.

4.3.1.1 Value of Ives (X1)

With a probability value of 0.0131 < 0.05, the processing results clearly show that variable X1 has a somewhat significant effect on variable Y (Labor Absorption). The coefficient of 0.00095 shows that the

investment value (X1) has a favorable effect on labor absorption (Y). This indicates that the workforce (Y) will rise by 0.000955 persons if the investment value (X1) increases by 1 million rupiah, or by 9.55 = 10 people if the investment value (X1) increases by 10 billion rupiah.

4.3.1.2 Production Value (X2)

According to the processing findings, variable X2's probability value is 0.1743 > 0.05, indicating that it has no partial meaningful impact on variable Y. The coefficient value of 0.001378 shows that the production value (X2) has a positive effect on the absorption of labor (Y). This means that if the production value (X2) rises by 1 million rupiah, the workforce will expand by 0.001378 persons, or if the production value (X2) rises by 10 billion rupiah, the number of workers (Y) can increase by 13.78 = 14 people.

4.3.1.3 Provincial Minimum Wage (X3)

It is evident from the processing results that variable X3's probability value is 0.0280 < 0.05, indicating that it has no discernible impact on variable Y. The coefficient value of -7448,446 indicates that labor absorption (Y) is negatively impacted by the provincial minimum wage (X3). This means that if the provincial minimum wage (X3) is raised by 1 million rupiah, the absorption of labor (Y) will drop by 7448.5 = 7449 people.

4.3.2 Simultaneous Test (Test f)

The processing results indicate that the variable Y (Absorption of Labor Force) is significantly impacted by the variables X1 (Investment Value), X2 (Production Value), and X3 (Provincial Minimum Wage) when taken together. The probability (F-stasistic) is 0.000168 < 0.05.

DISCUSSION

The Random Effect Model is the best model to use, according to the results of the panel data testing. The production value, investment value, and provincial minimum wage impacts on labor absorption in the small and medium industry sector in West Nusa Tenggara Province between 2019 and 2023 can all be explained by the regression results this model generated. Based on the results of the tests that have been carried out, the following analysis might be carried out:

The Effect of Investment Value on Labor Absorption in the Small and Medium Industry Sector in West Nusa Tenggara Province in 2019-2023.

According to the test results, between 2019 and 2023, West Nusa Tenggara Province's workforce absorption is positively and significantly impacted by investment value. With a probability value of 0.0131 < 0.05 and a coefficient value of 0.0000955, the results of the variable investment value (X1) show that the investment value significantly and favorably affects labor absorption. This implies that for every million rupiah increase in the investment value, there would be a 0.000955 rise in the number of workers in West Nusa Tenggara Province. However, for every 10 billion rupiah rise in investment value, West Nusa Tenggara Province's labor absorption will increase by 9.55 = 10.

The study's findings support the notion that labor absorption in small and medium-sized businesses in Nusa Tenggara Barta Province is positively and significantly impacted by variable investment value.

The purpose of investments is to increase industrial output by supplying capital goods such as manufacturing equipment and machinery. Growing output yields will have an effect on revenue growth. Capital products create a demand for labor since they require work to operate. As investment rises, so does the need for personnel.

The Effect of Production Value on Labor Absorption in the Small and Medium Industry Sector in West Nusa Tenggara Province in 2019-2023.

The study's partial t-test results showed that labor absorption was positively and marginally impacted by the variable production value (X2). The variable production value has a positive and negligible impact on labor absorption, as shown by the probability value of 0.1743 > 0.05 and the coefficient value of 0.001378. Consequently, a 0.001378 increase in the workforce will follow a 1 million rupiah rise in output value. However, a 10 billion rupiah increase in

output value might result in a 13.78 = 14 person increase in labor absorption.

The hypothesis is not confirmed by the study's findings, which show that the variable production value has a positive but negligible impact on labor absorption in West Nusa Tenggra Province's small and medium industrial sector.

In the West Nusa Tenggara Province's small and medium industrial sector, labor absorption is positively and marginally impacted by the output value in this study. This may be the result of West Nusa Tenggara's small and medium-sized businesses producing more, which drives up labor costs at a pace that is inconsistent with output.

The greater amount of technology and the caliber of workers employed in its manufacturing process have a greater impact. In the contemporary industrial age, the industrial sector started utilizing cutting-edge technologies. This is a result of industry 4.0's advancement. Industrial Revolution 4.0 is centered on reducing the amount of human work and increasing production throughput by utilizing more efficient technologies.

The Effect of the Provincial Minimum Wage on Labor Absorption in the Small and Medium Industry Sector in West Nusa Tenggara Province in 2019-2023.

With a coefficient value of -7448,446 and a probability value of 0.0280 < 0.05, the study findings provide an explanation for the large and adverse effect of the provincial minimum wage variable on labor absorption. The negative coefficient value, which shows that the minimum wage has a negative effect on labor absorption, shows that if the provincial minimum wage is raised by 1 million rupiah, the labor force will shrink by 7448.5 = 7449 individuals.

The study's findings refute the theory that labor absorption in small and medium-sized enterprises in the Province of West Nusa Tenggara is significantly and negatively impacted by the minimum wage variable.

5. CONCLUSIONS

This study employs panel data regression analysis with three independent variables—production value, investment value, and provincial minimum wage—and one dependent variable—labor absorption in the small and medium industry sector in West Nusa Tenggara Province in 2019–2023, drawing from the findings of earlier analysis and discussion. The findings indicate that:

a. The results of the t-test, which was used to examine the variables affecting labor absorption in the West Nusa Tenggara Province's small and medium-sized business sector from 2019 to 2023, suggest the following conclusion:
b. The investment value variable (X1) has a positive and substantial effect on the labor absorption variable (Y). While the chance of investment value (X1) is 0.0131 < 0.05, the coefficient's value is 0.000955.
c. The variable of labor absorption (Y) is positively and negligibly impacted by the variable of production value (X2). If the coefficient value is 0.001378 and the production value (X2) has a probability value of 0.1743 > 0.05.
d. The provincial minimum wage variable (X3) has a substantial and adverse effect on the labor absorption variable (Y). If the provincial minimum salary (X3) has a probability value of 0.0280 < 0.05 and the coefficient value is -7448,446.

The results of simultaneous testing using the f test showed that the independent variables investment value (X1), production value (X2), and provincial minimum wage (X3) had a significant impact on the dependent variable, labor absorption (Y), in the small and medium industrial sector in West Nusa Tenggara Province. The F-statistical probability value of 0.000168 < 0.05 indicates that the independent factors together have an equal and significant influence on the dependent variables.

SUGGESTION

a. Local governments should encourage the growth of small and medium-sized industries by increasing regulations for business and investment promotion,

facilitating investors, and building adequate facilities and infrastructure for production and distribution so that businesses can make the most of production resources and components.

b. Local governments must also pay attention to how small and medium entrepreneurs can obtain capital from government and banking institutions. This is expected to help aspiring small and medium entrepreneurs start or grow their businesses.

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