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THE EFFECT OF THE NUMBER OF INDUSTRIAL COMPANIES, INVESTMENTS AND THE ECONOMIC CRISIS ON THE REALIZATION OF LABOR ABSORPTION IN THE MIDDLE MEDIUM TEXTILE INDUSTRY SECTOR IN EAST JAVA PROVINCE 2006-2018

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Abstract

The purpose of this study was to determine the effect of the number of industrial companies, investment and economic crisis on the realization of labor absorption in the large and medium-sized textile industry sector in East Java Province. This study uses a multiple linear regression method with the Ordinary Least Square (OLS) model. This study uses secondary data which includes employment, the number of industrial companies and investment, while the economic crisis is included in the category of dummy variables. The results of this study indicate that the number of industrial and investment companies has a positive and significant effect on employment. Meanwhile, the economic crisis has a negative and insignificant effect on the realization of employment in the medium-large textile industry sector in East Java Province.

Abstrak

Tujuan penelitian ini adalah untuk mengetahui pengaruh pada Jumlah Perusahaan Industri, Investasi dan Krisis Ekonomi Terhadap Realisasi Penyerapan Tenaga Kerja Pada Sektor Industri Tekstil Menengah Besar di Provinsi Jawa Timur. Penelitian ini menggunakan metode regresi linear berganda dengan model *Ordinary Least Square* (OLS). Penelitian ini menggunakan data sekunder yang meliputi penyerapan tenaga kerja, jumlah perusahaan industri dan investasi, sedangkan krisis ekonomi termasuk dalam kategori variabel dummy. Hasil dari penelitian ini menunjukkan bahwa jumlah perusahaan industri dan investasi memiliki pengaruh yang positif dan signifikan terhadap penyerapan tenaga kerja. Sedangkan krisis ekonomi berpengaruh negatif dan tidak signifikan terhadap realisasi penyerapan tenaga kerja pada sektor industri tekstil menengah besar di Provinsi Jawa Timur.

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INTRODUCTION

Improving people's welfare is one of the main goals of developing countries. Where the scale of measuring success can be viewed from the extent to which the country can solve the problems at hand. Employment is a problem faced by almost all countries, especially Indonesia as a country that occupies the 4th largest position in the world, of course it is very common. The workforce is like a seed of endless problems, not only in terms of quantity but also in terms of quality. A country can be said to be prosperous, not only seen from the rapid development of its economy, but also must be followed by additional job opportunities to accommodate fresh graduates born every year. In addition, the lack of employment opportunities is not only related to problems in the economic field, but also social problems. The distribution of good employment absorption is an important moment for the community, so that the community can enjoy evidence of the achievement of economic development itself (Sumarsono, 2003). Therefore, the absorption of labor becomes a very important supporting element in any economic development that is often carried out in order to achieve equitable development among developing countries.

The industrial sector is one of the sectors holding the control of the economy, because the industrial sector is a fairly large contributor to state income and has a role in job creation (Zenda & Suparno, 2017). Economic development that is focused on industrialization can determine the realization of economic growth, where this growth can be proven through the availability of jobs (Simanjuntak, 2011). The existence of the processing industry is widespread in Indonesia, because manufacturing companies have an important role in supporting industrial development in every country. The development of the industry can be viewed from various aspects, both through the quality of the output produced, the large quantity of labor absorbed to the number of existing industrial companies. In a period of five continuous years starting from 2014 to 2018 in East Java Province, the processing industry became the largest contributor to GRDP, amounting to Rp. 466.908.0 billion, of which the textile industry sub-sector was only able to contribute Rp. 7,352.7 billion in 2018.

Table 1.1 Number of Companies and Workers in the Large Medium Textile Industry Sector in East Java Province, 2006-2018

Tahun	Jumlah Perusahaan (unit)	Pertumbuhan (%)	Tenaga Kerja (jiwa)	Pertumbuhan (%)
2006	350		30768	
2007	444	26,86	36272	17,89
2008	356	-19,82	27130	-25,20
2009	409	14,89	41417	52,66
2010	424	3,67	43500	5,03
2011	476	12,26	42885	-1,41
2012	481	1,05	44325	3,36
2013	505	4,99	46629	5,20
2014	537	6,34	53554	14,85

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2015	519	-3,35	47289	-11,70
2016	489	-5,78	45731	-3,29
2017	480	-1,84	40497	-11,45
2018	347	-27,71	32878	-18,81

Sumber: BPS Provinsi Jawa Timur

Law No. 13 of 2003 Article 1 Point 2 concerning Manpower contains that manpower is every person who is able to carry out a job in order to produce goods and / services in order to fulfill personal needs or for the benefit of the community (BPK, 2003). Based on table 1 above, in 2018 there was a very significant decrease in labor absorption by -18.81% with a total of 32,878 people from the previous year of 40,497 people. This happened due to the impact of the decline in the number of textile industry companies in that year by -27.71%, which was 347 units, which was originally 480 units in 2017. An industrial or sub-industrial company is a business unit, in which economic activity occurs. The increase in the number of companies in an area that makes similar products is likely to lead to an increase in production capacity, in which the owners of the company will spend their capital to increase production output (Matz, 1990). Some of the capital will certainly be used to increase the factors of production (labor), so that the more labor capacity that is employed, the greater the production capacity will be, and the more industrial companies there are, the more workers will be absorbed.

Investment is an expenditure made by individuals/groups into companies/industry in order to increase the supply of capital goods and other production equipment in order to increase the production capacity of output in the form of goods and services into the economy (Sukirno, 2008). Investment is an important part in determining the level of national income. With the rise of job opportunities due to support from investment activities, people can continue to carry out economic activities, so that it will increase the level of community prosperity and will have an impact on increasing national income (Sukirno, 2001). It can be said that the growth of the industrial sector is the role of the presence of investment. Because investment is a stock of capital for each company to increase the output of income in the future. In terms of the quantity and quality of available natural resources, Indonesia has become a field for investment or investment activities, both foreign investment (PMA) and domestic investment (PMDN).

Table 2 Investments in the Large Medium Textile Industry in East Java Province, 2006-2018

Tahun	Investasi (milyar)	Pertumbuhan (%)
2006	Rp48.013	
2007	Rp50.265	4,69
2008	Rp45.241	-10,00
2009	Rp56.926	25,83
2010	Rp59.801	5,05
2011	Rp62.933	5,24
2012	Rp63.856	1,47
2013	Rp66.836	4,67

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2014	Rp67.271	0,65
2015	Rp67.702	0,64
2016	Rp67.993	0,43
2017	Rp63.428	-6,71
2018	Rp58.165	-8,30

Sumber: BPS Provinsi Jawa Timur

Based on table 2, the highest decline in investment occurred in 2018 of -8.30% with a total of Rp. 58.165 billion from the previous year of Rp. 63,428 billion. Through the presence of investment, it will support the increase in new capital goods in order to create absorption of new production factors, such as the availability of job opportunities to reduce the existing unemployment rate (Sandika, Maulida, & Setiawan, 2014). It is hoped that economic growth can be achieved through investment activities from the private sector, and can cause a domino effect, which will stimulate various other economic activities so as to lead to the expansion of job opportunities through the establishment of new businesses. Indonesia is one of the many countries that have adopted an open economic system. Therefore, if the world economy fluctuates, it will also have an impact on the Indonesian economy (Harahap, 2013). Generally, every industrial sector experiences a decline in absorption and employment opportunities every time the economic crisis hits. The decline in labor absorption is closely related to the continuity of production activities in the industry. And these production activities are directly influenced by raw materials. So that when the input used is dominated by imported raw materials, the production activity will decrease significantly (Susilo & Handoko, 2002).

Research that has been conducted by (Muhtamil, 2017), shows that business units have a significant influence on absorption in the industrial sector of Jambi Province, this can be seen from the results of the Fixed Effect Model estimation, which is obtained by a coefficient of 2.9111954, which means that if there is an increase in business units of 1%, it will increase the proportion of the workforce of ±2% p with the other variable participation p is considered constant. In addition, research conducted by (Prihatini, Wibisono, & Wilantari, 2020) shows that investment, both domestic investment and foreign investment, has a significant effect on employment in Indonesia. This is because every time there is additional investment, a workforce will be needed to manage the investment, so the increase in investment will not create new business opportunities for workers who have not been absorbed by the labor market sector. Based on the theory, investment is positively correlated with the number of workers, especially the working workforce (Hidayah, Militina, & Ulfah, 2016). And based on research conducted by (Hallyward & Driemeier, 2001) shows that the economic crisis caused almost all companies in the food industry, textile and apparel industry, electronic equipment industry, chemical industry, and automotive industry both small and large scale to experience a decline in output. In addition, due to the continuous increase in the prices of imported production factors, it has an impact on reducing the amount of production and laying off employees. Meanwhile, the only minority of companies that are able to survive are companies that are not entangled in large foreign debts and the majority of their production output is exported abroad.

The purpose of this research is to determine the effect on the Number of Industrial Companies, Investments and the Economic Crisis on the Realization of Labor Absorption in the Large Medium Textile Industry Sector in East Java Province, based on facts through a series of

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valid, correct and precise data, so that it can be trusted.

METHOD

The object of this research is the Large Medium Textile Industry Sector in East Java Province which is registered with the Central Statistics Agency (BPS). Binib's research uses the multiple linear regression method with the Ordinary Least Square model, where calculations and analyzes will be carried out regarding how much influence the number of industrial companies, investment and economic crises have on their realization into employment. manpower, with the independent variable (X)b which in this case is the number of industrial and investment companies, and the dummy variable (D) is the economic crisis in the Large Medium Textile Industry in East Java Province. Where data on employment, the number of industrial companies and investment can be obtained through the website www.bps.go.id for the period 2006-2018, while the economic crisis is included in the category of dummy variables which in its measurement it is assumed that 0 means that there is no crisis and 1 means that there was a crisis that year. The functional relationship of the set of variables can be written in the equation:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 D_1 + e$$

Where: Y = Absorption of Labor (Soul)

X1 = Number of Industrial Companies (Units)

X2 = Investment (Billion)

D1 = Economic Crisis (Percent)

a = Constant

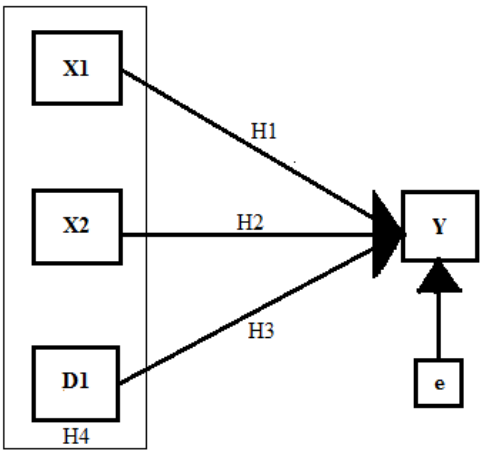
b1 = Regression coefficient for the number of industrial firms

b2 = Regression coefficient for investment

b3 = Regression coefficient for economic crisis

e = Variabel Penganggu

So that the influence between variables in this study is described in the following constellation::



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Gambar 1 Konstelasi Variabel
Sumber: Diolah oleh Peneliti

Based on the variable constellation above, the statistical hypothesis in this study is as follows:

H1 : Number of industrial companies to the realization of labor absorption

H2 : Investment in the realization of employment

H3 : The economic crisis on the realization of employment

H4 : The number of industrial companies, investment and the economic crisis together have an effect on the realization of labor absorption

The database analysis technique used in this research is the classical assumption test, which is carried out to find out whether there are deviations from the classical assumptions. Where the variable that is described becomes inefficient when faced with a situation where the nature of the classical assumption test is not fulfilled. The classic assumption tests include: normality test, heteroscedasticity test, multicollinearity test, and autocorrelation test. In addition, there is a statistical test consisting of: F test, T test and R2 to find out the level of feasibility of the variable b and the research model.

RESULTS AND DISCUSSION

From the results of b processing b data using b program b Eviews 11, b obtained the regression estimation results as follows:

*Corresponding Author
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Dependent Variable: TK
Method: Least Squares
Date: 07/10/21 Time: 13:55
Sample: 2006 2018
Included observations: 13

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5755.892	7220.713	0.797136	0.4459
JPI	58.16676	21.08709	2.758407	0.0222
INV	0.180012	0.072294	2.489996	0.0344
DKR	-3126.091	2730.015	-1.145082	0.2817

R-squared	0.917341	Mean dependent var	41592.85
Adjusted R-squared	0.889787	S.D. dependent var	6899.353
S.E. of regression	2290.467	Akaike info criterion	18.55856
Sum squared resid	47216140	Schwarz criterion	18.73239
Log likelihood	-116.6306	Hannan-Quinn criter.	18.52283
F-statistic	33.29349	Durbin-Watson stat	1.995919
Prob(F-statistic)	0.000034		

Gambar 2 Hasil Estimasi

Sumber: Olah Data *Eviews 11*

Based on Figure 2 above, we get the regression equation for the b model b labor absorption, as follows:

$$\boldsymbol{Y = 5755.892 + 58.16676X1 + 0.180012X2 - 3126.091D1 + e}$$

Sehingga,

$$\boldsymbol{Penyerapan\ Tenaga\ Kerja = 5755.892 + 58.16676\ Jumlah\ Perusahaan\ Industri + 0.180012\ Investasi - 3126.091\ Krisis\ Ekonomi + e}$$

Uji Asumsi Klasik

1. **Uji Normalitas**

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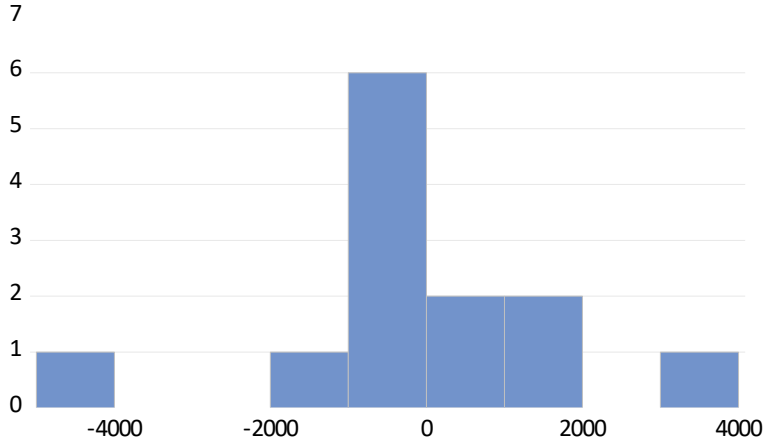
Gambar 3 Hasil Uji Normalitas



Series: Residuals	
Sample 2006 2018	
Observations 13	
Mean	-4.88e-12
Median	-106.0811
Maximum	3873.048
Minimum	-4801.938
Std. Dev.	1983.602
Skewness	-0.516131
Kurtosis	4.522778
Jarque-Bera	1.833226
Probability	0.399871

Sumber: Olah Data *Eviews 11*

In Figure 3 above, it shows that the Jarque-Bera probability value is 0.399871. Due to the probability value of 0.399871 > 0.05, it can be concluded that the data is normally distributed.

2. Uji Multikolinearitas

Variance Inflation Factors
Date: 07/10/21 Time: 13:58
Sample: 2006 2018
Included observations: 13

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	52138701	129.1979	NA
JPI	444.6652	227.5931	4.389062
INV	0.005226	43.60860	2.528191
DKR	7452983.	2.841268	2.404149

Gambar 4 Hasil Uji Multikolinearitas

Sumber: Olah Data *Eviews 11*

Based on Figure 4 above, it shows that the VIF value among the independent variables < 10, where the VIF value in the Number of Industrial Companies variable is 4.389062 < 10, the VIF value in the Investment variable is 2.528191 < 10 and the VIF value in the Economic Crisis variable is 2.404149 < 10. So the model regression in linear research does not have symptoms of multicollinearity.

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Heteroskedasticity Test: Breusch-Pagan-Godfrey
Null hypothesis: Homoskedasticity

F-statistic	0.424683	Prob. F(3,9)	0.7401
Obs*R-squared	1.612084	Prob. Chi-Square(3)	0.6567
Scaled explained SS	1.360947	Prob. Chi-Square(3)	0.7147

Test Equation:
Dependent Variable: RESID^2
Method: Least Squares
Date: 07/10/21 Time: 14:02
Sample: 2006 2018
Included observations: 13

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4486568.	24173903	0.185596	0.8569
JPI	-23083.41	70596.51	-0.326977	0.7512
INV	184.7268	242.0299	0.763240	0.4649
DKR	-5649655.	9139695.	-0.618145	0.5518

R-squared	0.124006	Mean dependent var	3632011.
Adjusted R-squared	-0.167991	S.D. dependent var	7095301.
S.E. of regression	7668151.	Akaike info criterion	34.79071
Sum squared resid	5.29E+14	Schwarz criterion	34.96454
Log likelihood	-222.1396	Hannan-Quinn criter.	34.75498
F-statistic	0.424683	Durbin-Watson stat	2.414988
Prob(F-statistic)	0.740050		

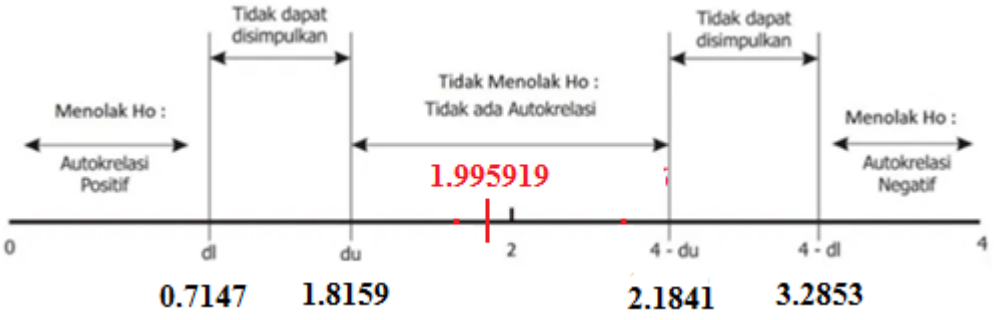
3. **Uji Heteroskedastisitas**

Gambar 5 Hasil Uji Heteroskedastisitas

Sumber: Olah Data *Eviews 11*

Based on Figure 5 above, it shows that, from the data that has been processed using the Breusch Pagan Godfrey Heteroskedasticity Test, it has a Chi-Square Probability result over the R-Squareb Observation of b0.6567 which means > 0.05 so that this regression model does not have a problem. heteroskedastisitas dan bersifat homoskedastisitas.

4. **Uji**



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Autokorelasi

Page 6 Durbin Watson Test Results
Sumber: Olah Data *Eviews 11*

Based on Figure 6, the calculated value of Durbin Watson is 1.995919, where the dLl value is 0.7147 and the dU value is 1.8159. Therefore, the results of this test can be concluded that DW > dU, which means that there is no autocorrelation in the model.

Statistic test
1. Individual/Partial Regression Coefficient Test (T-Test)
Based on the estimation results of the regression model in Figure 2, it is known that the regression coefficient value of X1 is the number of industrial companies of 58.16676 with a standard error of 21.08709, T statistic of 2.758407 and probability l of 0.0222. So based on the proposed hypothesis, Ho is rejected and Ha is accepted, which means that statistically the number of industrial companies has a positive effect on labor absorption. Next, it is known that the value of the X2 regression coefficient is an investment of 0.180012 with a standard error of 0.072294, T statistic of 2.489996 and a probability of 0.0334. This shows that the effect of investment on labor absorption is positive. So based on the proposed hypothesis, Ho is rejected and Ha is accepted. And it is known that the regression coefficient value of D1 is the economic crisis of -3126,091 with a standard error of 2730,015, T statistic of -1.145082 and a probability of 0.2817. This shows that the effect of the economic crisis on labor absorption is negative. So based on the proposed hypothesis, Ho is rejected and Ha is accepted.

2. Individual/Partial Regression Coefficient Test (F-Test)
Based on the estimation results of the regression model in Figure 2, it is known that the probability value of F Statistics is 0.000034. So, because it is smaller than (α = 0.05), the number of industrial companies, investment and economic crises simultaneously has an effect on labor absorption. iMakai based on the proposed hypothesis, Ho is rejected and Ha is accepted.

3. Coefficient of Determination Test (R2)
Based on the estimation results of the regression model in Figure 2, it is known that the results of the regression test using the OLS method obtained an R-Square of 0.889787 which means that the variable ability of the number of industrial companies, investment and economic crises can explain the relationship to the employment variable of 88.97% while the remaining 11.03% can be explained by other factors outside the model.

Interpretation of Estimated Results

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1. The Influence of the Number of Industrial Companies on the Realization of Labor Absorption
Based on the best-imagined results in Figure 2, it shows that the regression coefficient for the variable number of industrial companies is 58.16676 with a probability value of 0.0222. This shows that the number of industrial companies is significant to the realization of employment in the medium-large textile industry sector in East Java Province, because the probability value is below the level (α = 0.05). The increase in the number of companies in an area that makes similar products is likely to lead to an increase in production capacity, in which the owners of the company will spend their capital to increase production output (Matz, 1990). Some of the capital will of course be used to increase the factors of production (labor), so that the more labor capacity that is employed, the more production capacity will be produced, and the more industrial companies are added, the more workers will be absorbed.
The regression coefficient for the variable number of industrial companies is 58,16676, meaning that if there is an increase in the number of industrial companies by 1%, the absorption of feed labor has increased by 19 people, with the assumption that the other variable is constant or ceteris paribus. This is in accordance with a similar study, where business units have a significant influence on absorption in the industrial sector of Jambi Province, this can be seen from the results of the Fixed Effect Model estimation, which is obtained by a coefficient of 2.9111954, which means that if there is an increase in business units by 1%, it will increase the proportion of the workforce by ±2%. p with the assumption of other variables p is considered constant (Muhtamil, 2017).

2. The Effect of Investment on the Realization of Labor Absorption
Based on the estimated results in Figure 2 shows that, the regression coefficient of the investment variable is 0.180012 with a probability value of 0.0344. Hallinil shows that investment has a significant effect on the realization of employment in the medium-large textile industry sector in East Java Province, because the probability value is below the level (α = 0.05). The estimation results in East Java Province show that investment has a significant effect on the realization of labor absorption in large and medium-sized industries. Similar to the research conducted by (Prihatini et al., 2020) that positive investment, both domestic investment and foreign investment, has a significant effect on employment in Indonesia. The presence of investment will give rise to new capital goods, so that they will absorb labor and will reduce unemployment. According to Harrod-Domar, apart from creating demand, the relationship between investment and employment also leads to an increase in production capacity. Where labor is one of the factors of production, its use will automatically increase (Mulyadi, 2014). The regression coefficient for the investment variable is 0.180012, meaning that if there is an increase in investment of 1%, labor absorption will not increase by 5 people assuming this variable is constant or ceteris paribus.

3. The Effect of the Economic Crisis on the Realization of Labor Absorption
Based on the estimated results in Figure 2, it shows that the regression coefficient for the economic crisis dummy variable is -3126,091 with a probability value of 0.2871. This shows that the economic crisis has no significant effect on the realization of labor absorption in the medium-large textile industry sector in East Java Province, because the probability value is above the level (α = 0.05). The regression coefficient for the economic crisis variable is -3126,091, which means that if there is an increase in the economic crisis by 1%, labor absorption will decrease by 1 person, assuming the other variable is a constant form or ceteris paribus.
Based on research conducted by (Hallyward & Driemeier, 2001) shows that the economic crisis caused

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almost all companies in the food industry, textile and apparel industry, electronic equipment industry, chemical industry, and the automotive industry both small and large scale to experience a decline in output. In addition, due to the continuous increase in the prices of imported production factors, it has an impact on reducing the amount of production and laying off employees. Meanwhile, the only minority of companies that are able to survive are companies that are not entangled in large foreign debts and the majority of their production output is exported abroad.

CONCLUSIONS AND SUGGESTIONS

The research conducted in East Java Province in the 2006-2018 period focused on the influence of the number of industrial companies, investment and the economic crisis on the realization of labor absorption in the medium-large textile industry. Based on the discussion of the results of the analysis in the previous chapter, this research raises several conclusions, namely:

1) Manpower absorption is an indication of the quantity of labor used by a sector or business unit. The ability to absorb labor in the Large Medium Textile Industry in East Java Province tends to fluctuate from 2006-2018, where in 2018 there was a significant decline of -18.81% as a result of the decline in the number of textile industries in that year by -27.71%, a decrease investment also occurred in the same year at -8.30%, and it is assumed that there will be an economic crisis that year.

2) The number of industrial companies has a positive influence on the realization of labor absorption in the medium-large textile industry in East Java Province in 2006-2018. Halfinir is shown through the value of the regression coefficient of the variable number of industrial companies of 58,16676, meaning that if there is an increase in the number of industrial companies by 1%, the absorption of labor will increase by 19,124 people, assuming the other variables are constant or ceteris paribus. In addition, the number of industrial companies is also significant, which is indicated by a probability value of 0.0227.

3) Investment has a positive influence on the realization of labor absorption in the medium-large textile industry in East Java Province in 2006-2018. This is shown in the regression coefficient value of 10.180012, which means that if there is an increase in investment of 1%, the absorption of labor will increase by 5,918 people, assuming the other variable is a constant form or lceteris paribus. And the effect of this investment tends to be significant, because the probability value is below the alpha level ($\alpha = 0.05$) which is 0.0344.

4) The economic crisis has a negative impact on the realization of employment in the medium-large textile industry in East Java Province in 2006-2018. This is shown in the regression coefficient value of -3126,091, meaning that if there is an increase in the economic crisis of 1%, then labor absorption will decrease by -1,027 people in the form of percent, assuming other variables are constant or ceteris paribus. And the effect of this economic crisis tends to be insignificant, because the probability value is above the alpha level ($\alpha = 0.05$) which is 0.2817.

5) The number of industrial companies, investment and the economic crisis have a strong and significant influence together on the realization of labor absorption in the medium-large textile industry in East Java Province in 2006-2018. This is shown by the determination value (R2) of 0.889787, which means that the number of industrial companies, investment and economic crises can explain their effect on employment of 88.97%, while the remaining 11.03% is influenced by other factors outside the model.

Judging from the discussion and conclusions that have been presented, the researchers put forward some suggestions, namely, the opening of large and medium-sized industries that are labor-intensive in nature should be prioritized in order to increase the absorption of a

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larger workforce. The ease of regulation in making investments must also be boosted in order to achieve equal distribution of employment opportunities. And of course the government, industry owners and other stakeholders should work hand in hand to maintain economic stability in order to achieve the goal of equal distribution of income through equal distribution of employment opportunities.

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