

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Conclusion

Analysis of the impacts of investment, GRDP and wage on labor absorption in West Sumatra Province's manufacturing industry from 2014 to 2023 is the goal of this studying. The following are the primary findings of this study, which were derived from the Two-Step SYS GMM analysis results.

1. Investment has a significant positive influence on labor absorption. Every increase in investment of 1 percent, increases labor absorption by 0.67 percent. This suggests that investment in the manufacturing sector has ability to provide new capital, technology, and production expansion capabilities that can create jobs.
2. GRDP shows an insignificant positive influence on labor absorption. This shows that although GRDP tends to be positive, this variable does not have a consistent and significant influence on labor absorption in this data. In this context, GRDP variations between regency/municipalities in West Sumatra may not be strong enough to show a direct impact on labor absorption.
3. Wages also have a positive and significant effect on labor absorption. Every increase in wages of 1 percent, increases labor absorption by 1.52 percent. Rising wages encourage increased labor participation and productivity in this sector, which ultimately increases labor absorption capacity.

5.2 Policy Implication

1. Investment Policy: Local governments can promote a more favorable investment climate by offering unique advantages to international investors, including tax breaks or financial incentives in labor-intensive industries. In addition, the government can collaborate with the Investment

Coordinating Board (BKPM) to establish industrial regions or special economic zones (KEK) that will draw more foreign direct investment and likely employ local workers.

2. **Wage Policy:** Considering the positive influence of wages on labor absorption, the government needs to develop a minimum wage policy that is proportional to the cost of living and productivity levels. Competitive wages will encourage more people to enter the manufacturing sector and improve worker welfare.
3. **Reorientation of Economic Sector Development:** The government can focus economic growth on labor-intensive companies that could hire more people, including the food processing, craft, or textile sectors. This can be accomplished by offering industrial participants in the sector training, subsidies, or other incentives. To ensure that West Sumatra's GDP is not solely dependent on industries that do not directly contribute to employment creation, the government must also promote economic diversification in the region.
4. **Improving the Quality of Human Resources through Training and Education Programs:** The private sector and local governments can collaborate to offer technical and skill training to the workforce, particularly in fields like manufacturing, technology, and natural resource management that are pertinent to industrial demands. Furthermore, the government can expand secondary and tertiary vocational education and access availability.

5.3 Recommendation

1. **Strengthening Human Resources (HR) Development:** despite the fact that the study's findings reveal that GRDP has no discernible impact on labor absorption, suggesting that industries that support economic expansion might not directly affect the creation of jobs. Technical skills training and

vocational education programs will help improve the skills of the workforce so they remain relevant in an increasingly automated industry.

2. **Proportional Control of Wage Increases:** Wage increases have been proven to increase labor absorption, but the government needs to control wage increases so that they are in line with increases in labor productivity. A measurable minimum wage policy, based on productivity and inflation, will help maintain labor absorption in the manufacturing sector without burdening companies.
3. **Expansion of Samples and Variables:** To examine if comparable findings are obtained in areas with various economic circumstances, it is advised that future studies broaden the sample coverage to include additional provinces or regions with distinct economic features. Other variables, like workforce skills or educational attainment, can also be added to help provide more light on the determinants influencing labor absorption.
4. **A More Detailed Longitudinal Approach and the Use of Other Econometric Methods to Test Robustness:** Given the notable differences between the pre-COVID-19 and post-COVID-19 periods, more study might take into account conducting distinct analyses between these time periods. This is to determine whether the health crisis significantly affects the way the variables under study relate to one another.

