THE ANALYSIS OF DEMAND FOR LABOR IN SMALL MICRO BUSINESS IN MAKASSAR CITY

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ABSTRACT

The aim of the research was to measure and analyze the effect of business capital, wage and production value on the demand of labor. The research was a descriptive. The Study conducted in Makassar City. The population consisted of 5181 units of business in Makassar City and the sample consisted of 371 unit of business selected using slovin theory. They were multiple linear regression methods. The result of the research indicate that business capital, wage and production value significantly affect the demand of labor in Makassar City.

Keywords: Business Capital, Wage, Production Value, Demand for Labor

INTRODUCTION

The main problems in economic development is the problem of limited employment, where the population is increasing but not supported by the available of employment. Whereas one of the benchmarks to assess the success of economic development of a country and region is seen from the employment opportunities created from the economic development. The development of small micro enterprises has a big role in the development of large enterprises. The development of small micro business will help solve the problem of unemployment considering the technology used is labor-intensive technology so that it can enlarge the employment opportunities that ultimately encourage regional development (setiyadi, 2008).

The situation can be seen in Makassar, where small micro businesses are increasingly important. This can be seen from several existing business fields, small micro business has a contribution of 20.24 percent and that is the largest contribution to Gross Regional Domestic Product of Makassar (Central Statistics Agency Makassar, 2016). Strategy to overcome these problems with the development of small-scale enterprises. The development is to improve the quality and independence of many people who are involved in this sector. This business can play a role in the economic downturn when the economic crisis occurs. In addition, small micro businesses can

contribute significantly to the Indonesian economy. So the effort of empowering small micro business sector is a strategic step in national economic development (Azizah, 2014).

Small micro business is one form of business that has great potential in the provision of employment in Indonesia. The role of small micro-enterprises in developing countries is often linked to problems such as unemployment, poverty, inequality in income distribution and imbalances in the inter-regional development process. Looking at the nature of small micro-enterprises that use a lot of human labor, it is very intensive in the use of local resources in relation to the provision of employment. The potential of small micro enterprises is quite large and spread throughout Indonesia. Potential that is owned especially in improving people's welfare. These potentials include the number and deployment of small micro-enterprises, large energy absorption, use of local raw materials and resistance to crises. In addition, another potential is the ability of small micro businesses to produce products at affordable prices by all circles and is expected to create competitive prices (Anita, 2015).

Behind its potential, small micro business has not been separated from the constraints faced. One of the obstacles faced in developing small micro business is the problem of capital, where the source of their capital comes from their own capital. Therefore, it is expected that there will be programs to help small micro-enterprises. The labor demand describes the desired quantity of labor to the wage level. This means that the company will give labor wages to produce goods and services for profit. Manufacturers will seek input if the input produces output and profit, meaning that producers will not get satisfaction with the use of more input (Dyah, 2011).

The growth of small micro enterprises in Makassar is quite potential, where from year to year there is an increase in the number of business units and labor. Despite the increase, but the percentage of growth has decreased every year. The data indicate that the growth of percentage of small micro enterprises each year decreased. This can be seen from the number of companies that in 2012 the percentage of growth of 1.9 percent, but decreased in 2016 to 0.4 percent. Likewise for the amount of labor decreased to 0.2 percent, the amount of investment growth percentage of 3.3 percent decreased to 0.5 percent and the amount of production value decreased by 0.9 percent in 2016 (Makassar Trade Service, 2017).

This study aims to determine the effect of business capital, wages and production values on labor demand on small micro business in Makassar.

LITERATURE REVIEWS

Producer demand for differs from consumer demand for goods and services. In this case, employers hire labor to assist in the process of producing goods and services. Demand for labor depends on consumer demand for output or called derived demand. To maintain the workforce

used by the company, the consumer demand for goods and services must remain stable or increase even the producer can complete with the market in the country or abroad (Sumarsono, 2009).

Handayani (2002) said that the variables that affect labor demand one of them is capital. Capital is needed by business owners, where capital will increase business scale. Working capital is the amount that continuously sustains the effort to bridge between expenses to acquire materials, tools and services used during the production process so as to gain sales revenue.

Changes in wage rates will affect labor demand. Rising wage rates will be charged to consumers bt raising the selling price of manufactured goods in the market that will decrease the number of demand for production. Falling demand for output results in a decrease in the number of demand for labor (Kuncoro, 2002). Whereas according to Sumarsono (2009) states that wages constitute an acceptance in return for employers to employees for services which have been made expressed in money and established on the basis of an agreement and paid on the basis of an employment agreement between employers and employees.

Ricardo's davis theory that labor will increase or decrease depending on the nominal wage rate. If the nominal wage rate is above the minimum wage level then the amount of labor will increase. If the nominal wage rate drops below the minimum wage level the amount of labor will decrease. Consequently, a decrease in the supply rate of labor will push the wage rate to rise to a minimum wage level. In this position the population is constant. So in terms of factors of land production and labor, there is a dynamic force that will push the economy towards the minimum wage level that is the law of diminishing return (Divianto, 2014).

The value of production is the value of the whole goods and services that is the end result of the production process on a business unit to be sold to consumers. The high amount of labor demanded by entrepreneurs is influenced by the the high number of goods produced by the workforce. The high level of goods produced depends on the high level of consumer demand. The higher the quantity of goods demanded by the consumer, the higher the number of manufactured goods, the higher the amount of labor demanded by the firm. So production is a factor affecting the amount of labor demanded on small micro business (Yanuwardani, 2009).

METHODOLOGY

1. Research Sites

This research was conducted in Makassar City and the object of the research is a small micro business that has asset value of more than Rp 50.000.000 up to a maximum of Rp 500.000.000 or

has annual sales of more than Rp 300.000.000 to a maximum of Rp 2.500.000.000 in Makassar City, South Sulawesi Province.

2. Method of Collecting Data

Data collection techniques used in this study include several ways. Techniques used to collect primary data by conducting direct interviews to respondents based on questionnaires (questionnaires) that have been prepared previously. However, before the interview conducted the need for researchers to observe directly on the object to be in carefully so that in get some clearer picture of the area studied.

3. Analysis Method

The method of analysis used in this study is multiple regression analysis model through the aid of computer program SPSS 23. The independent variables used are business capital, wages and production values to labor demand on small micro business expressed in the form of function as follows:

$$Y = f(x_1, x_2, x_3)$$

Where the function can be decribed as follows:

$$Y = \alpha_0 x_1^{\alpha_1} x_2^{\alpha_2} x_3^{\alpha_3} \mu_1$$

The equation can be restated in the form of a linear regression equation which is transformed in the form of natural logarithm based on the following equation:

$$\ln Y = \ln \alpha_0 + \alpha_1 \ln X_1 + \alpha_2 \ln X_2 + \alpha_3 \ln X_3 + \mu_1$$

Where :

Y : Demand for labor

α_0 : Constants/ intercept

$\alpha_1, \alpha_2, \alpha_3$: Parameters to be estimated

X_1 : Capital Business

X_2 : Wage

X_3 : Production Values

μ_1 : Error term

DATA DESCRIPTION

1. Responden Characteristics

Table 1: Frequency Distribution of Responden's Socio – Demographic Characteristics (n=371)

Characteristics	Frequency
Gender	
Male	299
Female	72
Total	371
Age	
15 – 49 years	349
50 - 64 years	22
Total	371
Education	
Primary School	9
Junior High School	24
Senior High School	279
Bachelor's Degree	59
Total	371

Table 1 shows the distribution of frequency the relationship between the characteristics of the business owner and the demand for labor in Makassar City. Distribution of respondent based on the characteristics of gender shows that the highest number of male respondents is 299 people. On the characteristics of respondents by age shows that most respondents with age 15 – 49 years is 349 people. Distribution of respondents by education level shows that the highest respondent with senior high school is 279 people.

Table 2: Descriptive Statistic of the Main Variable (N = 200)

Variables	Regression Coefficient	t-statistic	Probability
Capital Business	0,372	6,136	0,000***
Wage	-0,417	-6,861	0,000***
Production Values	0,185	3,243	0,001***

***significant level at 0,05

Table 2 shows that result of regression test of independent consisting of capital business, wage and production values to dependent variable that is labor demand is capital business variable (t = 6,136,   P < 0,05), wage (t = -6,861, P < 0,05), production values (t = 3,243, P < 0,05) which means that there is a significant relationship to the demand for labor .

In this study, it can be seen that there are some variables that significantly affect labor demand that is business capital, wage and production value that directly influence on labor demand. The business capital significantly affects on demand for labor, this means the influence of business capital on labor demand in accordance with the initial hypothesis. The results of this study in accordance with the theory of derived demand (derived demand) which shows that the demand for the company to the workforce depends on consumer demand for output produced while the output is generated from capital input (Pudjihardjo, 2011). The wage significantly affects on demand for labor,this means the effect of wages on labor demand in accordance with the initial hypothesis. The results of this study are in accordance with the theory that the amount of labor demanded will decrease due to wage increases that cause unemployment. If wage rates rise while other input prices still mean the price of labor is relatively more expensive than other inputs. This situation encourages employers to reduce the use of labor by substituting cheaper inputs to maintain maximum profits or to be called substitution effects. However, if wage levels decline then the demand for labor will increase. Thus wages have an inverse relationship with labor demand (Pudjihardjo, 2011). The production values significantly affects on demand for labor, the results of this study in accordance with the theory of derived demand which explains that the value of production is the value of the overall goods and services which is the end of the production process on a business unit which will be sold until the hands of consumers. The high amount of labor demanded by employers is influenced by the high number of goods produced by the labor. The high level of manufactured goods depends on the high low demand of consumers.

The higher the quantity of goods demanded by consumers, the higher the quantity of goods produced, the higher the number of workers demanded by the company (Adrianto, 2013).

CONCLUSION

Large business capital in a business unit has a good impact on the viability of a business because the increase in venture capital will increase labor demand. Wages are inversely related to labor demand, where as wages increase employers reduce their workforce. The high demand for labor in small micro-enterprises is highly dependent on the high number of manufactured goods which also affects the production value.

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