

## Study Determinants of Labor Absorption in Layer Breeder Chicken Farming Sector Businesses

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### ABSTRACT

This research aims to determine the determinant factors for employment in the laying hen farming sector. In this research, the independent variable is used where (wages X1, productivity X2 and capital X3) and the dependent variable is (labor absorption Y). The aim of this research is to find out whether wages, productivity and capital influence labor absorption in egg-laying chicken farming businesses in Sidrap Regency, which is known as one of the largest egg-laying chicken producing districts in South Sulawesi. The method used is quantitative descriptive. The sample in this research consisted of 85 egg-laying chicken farming business units in Sidrap Regency. Sampling was carried out by taking the entire population considering that the population was less than 100 units. Research data was obtained by distributing questionnaires to 85 respondents. Data analysis was carried out using multiple linear regression. Based on the results of the analysis carried out, it can be seen that wages and capital have a positive effect on labor absorption, while productivity has no effect on labor absorption in egg-laying chicken farming businesses in Sidrap Regency.

**Keywords:** wages, productivity, capital, labor absorption

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## 1. INTRODUCTION

Rapid population growth in a country has had serious consequences regarding the imbalance between the growing workforce and the availability of job opportunities. One of the causes is the suboptimal functioning of sectors of community life and unequal development in various fields (Murdiansyah, 2014; Azis et al., 2023). This situation creates major challenges, where the formal sector is unable to absorb and meet the growing workforce efficiently (Isma et al., 2023). The gap between the rapid growth of the labor force and limited employment opportunities makes the informal sector an important component in responding to labor needs and providing alternative employment opportunities.

This imbalance not only creates an employment crisis, but also reflects inequality in development. Even though there is economic growth in several sectors, many areas and areas of community life are not yet fully functioning well. Thus, further efforts are needed to equalize development in all sectors in order to create more balanced and equitable employment opportunities for a workforce that continues to grow (Nugroho & Waluyati, 2018; Isma & Aliasyahbana, 2022). The informal sector has emerged as a significant solution in bridging the gap between population growth and limited employment opportunities (Azunre et al., 2022). Although often considered a less structured sector, the informal sector provides employment opportunities for many individuals who may not be absorbed by the formal sector (Darbi et al., 2018). Therefore, the government and related parties need to pay attention to the important role of the informal sector and develop strategies that support the development and improvement of the welfare of workers in it.

Along with the increasing number of the workforce, especially in Indonesia, and the lack of available jobs, this will result in increased unemployment and of course will have an impact on poverty levels (Endrayani & Dewi, 2016; Putri et al., 2019; Zakaria, 2020). The solution to anticipate this requires in-depth thinking in more radical policies so that the increase in the workforce can be absorbed and earn a decent income. Because humans are the ones who mobilize all these resources to produce goods. Even sophisticated technology cannot match human abilities. Because again, as said above, the driver of technology or resources is humans or labor.

In the context of continuously increasing labor force growth, especially in Indonesia, it is necessary to implement more radical policies to anticipate negative impacts such as increasing unemployment and increasing poverty levels. These policies can include steps such as changes in the education and workforce training systems (Rahargo & Jannah, 2020), to ensure that the skills possessed by the workforce match the changing needs of the labor market (Abdullah, 2017). The government also needs to encourage the private sector to actively participate in job creation through incentives and policies that support business and industrial growth (Lazzarini, 2015; Scheyvens et al., 2016).

The importance of deep thinking in overcoming the problem of workforce growth also raises the importance of creating jobs in new and developing sectors. Innovation and support for start-up companies can be key in creating new opportunities for a growing workforce (Bărbulescu et al., 2021). According to Zhan (2021), the government can intervene through a central role in facilitating a conducive business climate and providing support to potential sectors that can become a driving force for economic growth and job creation.

Moreover, active participation from the public in shaping policies and providing input can help create more diverse and targeted solutions (Levkoe, 2018). This participatory approach can increase public awareness of the need for updated policies and practices that support inclusive economic growth. Thus, through a combination of government efforts, the private sector, innovation and community participation, countries can achieve a better balance between workforce growth and the availability of decent jobs.

Economic growth driven by new technology and capital-intensive investment will likely not be enough as will recent efforts to increase the quality of the workforce. So integrated efforts are needed that will directly influence the structure of labor demand. According to Hennigusnia (2017), as long as this gap provides the greatest benefits to the most disadvantaged groups, such as the informal sector, for example, while still paying attention to conditions of equal distribution of business opportunities. Rawl calls this concept the difference principle. The measure of a government's success in carrying out its development is the process of distributing primary goods and services evenly, fairly and justly (Aziz et al., 2021). Distribution of goods and services according to Rawl's definition means that the government provides guarantees for the fulfillment of everyone's desires for rights and freedoms, power and opportunities as well as income and wealth equally.

A lot of research has been carried out on productivity and income levels in the informal sector. Based on previous research, it is evident that productivity and income levels in the informal sector are influenced by various factors. Sari & Oktora (2021) found that labor productivity in the manufacturing industry is influenced by education level. Similarly, Lubis (2021) aimed to identify and analyze the factors affecting labor productivity in the agriculture and processing industries, particularly before and during the Covid-19 pandemic. Furthermore, Pitoyo (2016) highlighted the economic prospects of the informal sector by emphasizing its role in improving living standards. These findings underscore the multifaceted nature of productivity and income in the informal sector, which is affected by education, economic prospects, and external factors such as the Covid-19 pandemic.

The informal sector is defined in various ways, but in this study it is limited to self-employed workers and business units that employ a minimum of two workers. The assumption is that minimum wage laws and other institutional factors have only a small effect on labor income in this sector, and thus labor income will be uniformly low because it is depressed by excessive labor supply. In reality, labor income varies greatly, many self-employed workers do not want to work as wage workers in the formal sector. Internship and training programs are the norm and many entrepreneurs are actively seeking to expand their operations.

Sidrap Regency is one of the districts in South Sulawesi which plays a very important role in the development of livestock businesses. This area borders the metropolitan area, namely the cities of Pare-pare, Soppeng, Sengkang, and Enrekang so that many workers come from this area looking for work. One of the jobs in the Sidrap area is laying chicken breeders. Job opportunities for egg-laying chicken farming are in high demand among some Sidrap people, so it requires qualified workers. Sidrap Regency is one of the sub-districts

in Sidrap Regency which has a large population of egg-laying chicken breeders, so the researchers chose this place as a research location. Farming laying hens is a job that requires labor because chickens need to eat and drink as well as vitamins and medicines for good production growth. Therefore, egg-laying chicken farming is a job opportunity that can be used as land for workers.

According to initial observations from one of the egg-laying chicken farming business owners, workers must have special skills to be able to look after chickens because caring for chickens affects egg production. Apart from that, the use of machines in this business is very necessary if the chicken population reaches above a certain threshold. In the context of understanding the need for special skills for caring for chickens and the need to use machines in egg-laying chicken farming businesses, the problem formulation proposed becomes increasingly crucial. The question of whether wages, productivity and capital have a simultaneous or partial effect on labor absorption, as well as which variable factors more dominantly influence labor absorption in egg-laying chicken farming businesses in Sidrap Regency, is the main focus of this research. Through an in-depth understanding of these problems, it is hoped that this research can make a significant contribution in providing solutions or recommendations for more efficient and sustainable management of egg-laying chicken farming businesses.

## **2. RESEARCH METHODS**

The method used is quantitative descriptive. This method is a research approach that aims to describe or explain phenomena or characteristics of a population or sample using quantitative data. This method focuses on collecting and analyzing numerical data to provide a more detailed picture of a topic or research problem.

The advantage of quantitative descriptive methods is their ability to provide a more objective and measurable picture of a phenomenon. However, these methods also have limitations, such as limitations in explaining the complexity of the phenomenon or an inability to provide an in-depth understanding of the qualitative factors that may influence the results.

The sample in this study consisted of 85 egg-laying chicken farming business units in Sidrap Regency, which is known as one of the egg-laying chicken producers in South Sulawesi. The sample was selected by taking the entire population, considering that the number of egg-laying chicken farming business units is less than 100. This sampling aims to ensure the representativeness of the data for a larger population. Although sampling the entire population provides higher accuracy, it also depends on the size of the population and the resources available.

Research data was collected using a questionnaire distributed to 85 respondents, each of whom was the owner or manager of a laying hen farming business unit. Questionnaires are used as a data collection instrument to obtain quantitative information regarding various aspects related to laying hen farming, such as egg production, chicken health conditions, feed management, and other relevant factors.

Data analysis was carried out using multiple linear regression. Data analysis carried out using multiple linear regression shows that this research uses a statistical approach to understand the relationship between two or more independent variables and the dependent variable. Multiple linear regression allows researchers to identify and measure the degree to which independent variables contribute to variation in a dependent variable. In this context, there may be several factors that can influence a particular phenomenon or event, and multiple linear regression allows researchers to construct mathematical models that reflect these complex relationships.

The use of multiple linear regression shows that this research does not only examine the influence of one independent variable on the dependent variable, but rather involves more than one independent variable. This can provide a more comprehensive understanding of the factors that contributed to the observed results. This analysis can also help identify the variables that are most significant in predicting or explaining variation in the dependent variable, providing deeper insight into the complexity of the relationships between variables in the context of the study.

## **3. RESULTS AND DISCUSSION**

### **3.1 Simultaneous Influence of Wages, Productivity and Capital on Labor Absorption in Chicken Farming Businesses in Sidrap Regency**

The results of multiple regression analysis show that there is an influence between the value of wages, productivity and capital on labor absorption in egg-laying chicken farming businesses in Sidrap Regency. This shows that increasing the value of wages paid by business owners is one of the factors that can influence labor absorption. High wages will have an impact on increasing employee work productivity so that production results will also increase. Increasing the production output produced by laying hen breeders will result in employment absorption. Absorption of labor will not run optimally if influencing factors such as wages, productivity and capital are excluded. The wages given, the egg production produced, and the increasing capital will directly have a positive impact on labor absorption. This is in accordance with research conducted by Nugrahaeni & Handayani (2021), which states that if the price of capital goods falls, it is a substitution effect. This situation can occur because producers tend to increase the number of capital goods (machines) so that intensive capital occurs in the production process. So relatively speaking the use of labor is reduced.

The results of data analysis show the influence of the variables Wages (X1), Productivity (X2), Capital (X3) on labor absorption (Y) with a significance value of  $0.000 < 0.05$ . This shows that the independent variables together have a significant effect on the dependent variable. Thus, it can be concluded that testing the hypothesis above rejects H0 and accepts H1. This shows that wages, productivity and capital together (simultaneously) influence labor absorption.

This is in line with the results of research conducted by Silalahi et al. (2023) and Muhtar & Sudirman (2022), which state that the independent variables (wages, productivity and capital) together show a level of significance for the dependent variable, namely labor absorption. Meanwhile, the results of the analysis show that the results of the calculations obtained a coefficient of determination value symbolized by R<sup>2</sup> (R-Square) of 3.97. In other words, this shows that the large percentage of variation in labor absorption that can be explained by variations in the three independent variables, namely wages (X1), productivity (X2), and capital (X3) is 3.97% while the rest is explained by the variables others outside the research.

### **3.2 The Effect of Wages on Labor Absorption**

Wages that continue to increase will directly have a positive impact on labor absorption, because with this increase in wages, entrepreneurs will also try to increase or increase the number of business units so that with additional business units entrepreneurs will automatically increase the number of workers.

It is known from the results of the processed primary data that overall the lowest wage received by workers each month is IDR 800,000 and the highest wage paid by the owner of a laying chicken farming business is IDR 5,700,000. With this amount of wages, it is hoped that it can increase employee work productivity so that the business will continue to develop. As the development of the egg-laying chicken farming business continues to develop, there will be more and more employment because with the development of the egg-laying chicken farming business, of course entrepreneurs really need labor as one of their production factors. The payment of higher wages from time to time is of course an indicator that the egg-laying chicken farming business in Sidrap Regency is developing well.

From this research it is known that wages have a positive and significant effect ( $0.003 < 0.05$ ) on labor absorption in egg-laying chicken farming businesses in Sidrap Regency. The magnitude of the influence of wages on labor absorption is 33.6%. This value shows a positive and significant value, which means that if wages increase, labor absorption will increase and vice versa, if wages decrease, labor absorption will also decrease.

This is in line with research conducted by Putri & Soelistyo (2018) and Rakhmawati & Boedirochminarni (2018), where the results of their research show that the wage variable has a positive effect on the labor absorption variable. While supporting the theory of Hartono et al. (2018), labor demand is the relationship between the wage level and the number of workers that employers want to employ. So labor demand can be defined as the number of workers employed by an entrepreneur at every possible wage level in economic activities.

Working capital is current capital which includes all cash and inventory of goods used for business activities (production processes) by users. From this research, it is known that capital has a significant effect ( $0.006 < 0.05$ ) on labor absorption in egg-laying chicken farming businesses in Sidrap Regency. So if capital increases by 1%, labor absorption will increase by 0.006% assuming other variables are constant. To increase labor absorption, it must be followed by a larger increase in capital. Because the coefficient is positive between capital and labor absorption, it is stated that the capital variable also has a positive influence on labor absorption, so the higher the capital, the higher the labor absorption. If capital increases

in a business, the entrepreneur's response to increasing the number of workers will also increase, because large capital will of course produce a large amount of production so that business profits will also increase.

This is in accordance with what happens to laying hen breeders in Sidrap Regency, because with additional capital, operational costs can be increased, such as increasing the population so that breeders can absorb more labor. This is in accordance with the statement of Polandos et al. (2019) in their research also found the same thing, namely that the significance value of capital had a positive relationship with the labor absorption variable. The same research was also conducted by Soraya & Mahmud (2016), explaining that one of the variables that influences labor demand is capital. In practice, production factors, both human resources and non-human resources, such as capital, cannot be separated in producing goods or services. Assuming other factors remain constant, the greater the capital invested, the greater the use of labor.

In line with Fachrizal (2016), it combines how production levels will experience changes if the production factor of labor is continuously added but other production factors are considered to remain the same. In the analysis above, there are two types of production factors that can be changed, namely labor and capital, these two changeable factors can be used interchangeably. Theoretically, an increase in labor which causes an increase in production shows that the industry is labor intensive, where business owners in carrying out the production process will use more labor input compared to machine input. Theoretically, working capital is also explained in the theory of labor demand where changes in demand for production results by consumers. If demand for the company's production results increases, the company tends to increase its production capacity. For this purpose, business owners will increase the use of labor.

#### **4. CONCLUSIONS AND SUGGESTION**

Based on the formulation of the research problem proposed, based on the data analysis carried out, and the discussion that has been put forward, it is concluded that the variables Wages, Productivity and Capital together have a significant influence on labor absorption. Thus, rejecting  $H_0$  and accepting  $H_1$  shows that wages, productivity and capital together (simultaneously) influence labor absorption. Then, based on the results of the analysis and discussion, wages ( $X_1$ ) and capital ( $X_3$ ) have a significant effect on labor absorption in Sidrap Regency. Finally, based on the results of the analysis and discussion, the Productivity Variable ( $X_2$ ) does not have a significant effect on labor absorption in Sidrap Regency.

Based on the results of the research above, the researcher provides suggestions, namely to increase labor absorption in egg-laying chicken farming businesses in Sidrap Regency, one of which is by providing training that supports employee abilities to become better and egg production can be increased. In addition, several suggestions for further development are proposed. First, it is necessary to improve policies related to wages so that they can further encourage labor absorption. This may involve discussing and re-evaluating the wage schemes applicable in the area. Second, it is necessary to pay further attention to factors that can increase capital at the local level, such as fostering small and medium enterprises or facilitating access to capital. Finally, although productivity has not been proven to have a significant effect in the context of labor absorption in Sidrap Regency, further research needs to be carried out to understand the factors that influence productivity and ways to increase it. Thus, it is hoped that these recommendations can make a positive contribution in supporting increased employment and economic development in the region.

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