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The Effect of Investment to Value Added Production, Employment Absorption, Productivity, And Employees' Economic Welfare In Manufacturing Industry Sector In West Kalimantan Province

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Abstract

The findings of this research were, first, private investment had significant effect on production added value, with a positive relation. Second, private investment had significant effect on employment absorption, with a positive relation. Third, production added value had significant effect on employment absorption, with a positive relation. Fourth, production added value had insignificant effect on employee's productivity, with a positive relation. Fifth, employment had insignificant effect on employee's productive with a negative relation. Last, productivity had insignificant effect on wage rate with negative relation.

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Keywords: Private Investment, Production Added Value, Labour Absorption, and Employee's Economical Welfare.

1. Introduction

In West Kalimantan, the role of the industrial sector ranks third after agricultural, trade, hotels, and restaurants sector. In 2009, the industrial sector in West Kalimantan gave a significant contribution to the economy of the region, but in the last decade its role has decreased significantly. In 2000, the contribution of the industrial sector to the economy of West Kalimantan was 24.15%, but in 2009 it declined to 17.97% and was projected to fall by 14% in 2013 (Bappeda Kalbar in West Kalimantan Provincial Government, 2009).

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1.1 Background

In West Kalimantan, the role of the industrial sector ranks third after agricultural, trade, hotels, and restaurants sector. In 2009, the industrial sector in West Kalimantan gave a significant contribution to the economy of the region, but in the last decade its role has decreased significantly. In 2000, the contribution of the industrial sector to the economy of West Kalimantan was 24.15%, but in 2009 it declined to 17.97% and was projected to fall by 14% in 2013 (Bappeda Kalbar in West Kalimantan Provincial Government, 2009).

In conceptual framework of economic development, economic growth can be achieved if private investment by people increases. The increase of investment will affect economic growth, which then will affect employment and economic welfare to increase through the increase of productivity and wage rate. Based on the empirical facts of the large and medium manufacturing industries in West Kalimantan, there are gaps and variations between private investment, value added, employment, productivity and wage rate. The increased private investment increased the value-added, but did not increase employment and economic welfare. Therefore, it should be investigated and tested further the relations between private investment to value added, employment, productivity, and economic welfare (wage rate) in large and medium manufacturing industries in West Kalimantan.

1.2 Research Purpose

The purpose of the study was to examine and analyze the effect of:

1. Private investment on value added production in the large and medium manufacturing industries of West Kalimantan Province.
2. Private investment on employment in the large and medium manufacturing industries of West Kalimantan Province.
3. Value added production on employment in the large and medium manufacturing industries of West Kalimantan Province.
4. Value added production to the productivity of employees in the large and medium manufacturing industries of West Kalimantan Province.
5. Employment absorption to the productivity of employees in the large and medium manufacturing industries of West Kalimantan Province.
6. Productivity on wage rate in the large and medium manufacturing industries of West Kalimantan Province.

2. Literature Review

2.1 Basis Theory

Economic growth theory proposed by Smith basically covers the problems of (a) the division of labor, (b) the process of capital accumulation, (c) an agent of economic growth, and (d) the growth process. Smith (in Irawan and Suparmoko, 2002:23) stated that for the course of economic development requires a specialization or division of labor in order to increase labor productivity. The division of labor is associated with increased job skills, time savings in the production of goods, the discovery engine to save energy and to accelerate and increase production.

Smith (in Pressman, 2002 and Skousen, 2009) analyzed factors causing the national living standards to rise and showed how the competition itself played a role in economic growth and similarly, how the division of labor could increase worker productivity. In order to understand the Smith's process of economic growth easier, we should distinguish two main aspects of economic growth.

An outline of the growth process and the conclusions made by Ricardo was not so different from the theory of Adam Smith. The theme of the process of economic growth is still focused on race between population growth rate and the growth rate of *output*. In addition, Ricardo also assumed that the number of production land (natural resources) factors could not grow and eventually would become a limiting factor in the *output* of a society growth.

Ricardo (in Arsyad, 2010:79-80) considered fixed capital received considerable attention because capital is not only be able to increase labor productivity, but also play a role in reinforcing the production process so that production can quickly be distributed or consumed. Characteristics by Ricardo economy are as follows.

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