

## INVESTMENT QUALITY IN SERANG REGENCY PARADOXAL REVIEW OF HIGH UNEMPLOYMENT

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### Abstract

The percentage of open unemployment rate in Serang Regency in the last two years occupies the top position in Banten Province. The role of investment in Serang Regency in creating jobs has not been felt by the community significantly, this study aims to stimulate an increase in the quality of investment so that it can have a positive impact in efforts to reduce the unemployment rate in Serang Regency. The research method uses a qualitative approach based on in-depth observation. The results of this study present strategies that can be implemented to reduce the unemployment rate in Serang Regency through improving the quality of investment.

**Keywords:** Investment Quality, Unemployment

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## I. Introduction

In the context of regional development, investment plays an important role in driving economic growth. According to Todaro (2000: 137-138) Investment plays a role in increasing national income and creating new jobs, as well as in Article 3 paragraph (2) of the Investment Law it is stated that One of the objectives of organizing investment is to create jobs.

The development of investment in Serang Regency in the last three years has experienced positive growth. Theoretically, the increase in investment value in Serang Regency should be able to open new jobs and absorb labor, but if you look closely, the percentage of open unemployment rate in Serang Regency is still very high.

According to the Central Bureau of Statistics (BPS), the working age population is all people aged 15 years and over. The working-age population tends to increase as the

population increases, the working-age population in Serang Regency in August 2022 was 1.12 million people, an increase of 8.33 thousand people when compared to August 2021. With the structure of employment in 2022, it will include the manufacturing sector of 30.84% or 198.41 thousand people, the agricultural sector 19.69% or 126.64 thousand people, and the service sector 49.47% or 318.24 thousand people. In August 2022, the population working in informal activities was 382.58 thousand people (59.47 percent), while those working in formal activities were 260.70 thousand people (40.53 percent).

**Table 1**  
Population of Working Age and Labor Force of Serang Regency

| Status of Employment Conditions | Agst 2020 | Agst 2021 | Agst 2022 | Transform. Ags 2020–Ags 2021 |        | Transform. Ags 2021–Ags 2022 |       |
|---------------------------------|-----------|-----------|-----------|------------------------------|--------|------------------------------|-------|
|                                 | 000       | 000       | 000       | 000                          | %      | 000                          | %     |
| (1)                             | (2)       | (3)       | (4)       | (5)                          | (6)    | (7)                          | (8)   |
| <b>Working Age Population</b>   | 1.102,85  | 1.111,65  | 1.119,99  | 8,80                         | 0,80   | 8,33                         | 0,75  |
| <b>labor force</b>              | 699,86    | 709,94    | 719,65    | 400,34                       | 1,44   | 9,71                         | 1,37  |
| - labor                         | 614,32    | 634,83    | 643,28    | 20,51                        | 3,34   | 8,45                         | 1,33  |
| - Unemployment                  | 85,54     | 75,11     | 76,37     | -10,43                       | -12,19 | 1,26                         | 1,67  |
| <b>Not the Labor Force</b>      | 402,99    | 401,72    | 400,34    | -1,28                        | -0,32  | -1,38                        | -0,34 |

Source: BPS, National labor force survey (Sakernas) processed data

Table 1 shows that in 2022 the majority of the working age population will be in the labor force, namely 719.65 thousand people, the remainder will be included in the non-labor force of 400.34 thousand people.

The composition of the workforce in August 2022 consists of 643.28 thousand working people and 76.37 thousand unemployed people. When compared to August 2021, the total workforce increased by 9.71 thousand people. The working population increased by 8.45 thousand people, while unemployment increased by 1.26 thousand people.

**Table 2**  
Open Unemployment Rate by Regency/City in Banten Province

| Regency/City          | Open Unemployment Rate by Regency/City in Banten Province (Percent) |       |       |
|-----------------------|---------------------------------------------------------------------|-------|-------|
|                       | 2020                                                                | 2021  | 2022  |
| <b>Kab Pandeglang</b> | 9.15                                                                | 7.70  | 9.24  |
| <b>Kab Lebak</b>      | 9.63                                                                | 7.86  | 8.55  |
| <b>Kab Tangerang</b>  | 13.06                                                               | 9.06  | 7.88  |
| <b>Kab Serang</b>     | 12.22                                                               | 10.58 | 10.61 |
| <b>Kota Tangerang</b> | 8.63                                                                | 9.07  | 7.16  |

|                               |       |       |      |
|-------------------------------|-------|-------|------|
| <b>Kota Cilegon</b>           | 12.69 | 10.13 | 8.10 |
| <b>Kota Serang</b>            | 9.26  | 9.41  | 8.17 |
| <b>Kota Tangerang Selatan</b> | 8.48  | 8.60  | 6.59 |

Source: BPS, National labor force survey (Sakernas) processed data

Table 2 shows the percentage of the open unemployment rate in Serang Regency, which ranks first in the province of Banten in the last two years. Even though if you look closely, Serang Regency has industrial areas spread across the east and west of its territory. Unemployment in industrial areas is interesting for further study because industrial areas should be able to absorb as many workers as possible for the people who are in the region (Suseno, et al, 2020). And if unemployment lasts for a long time it will cause unfavorable mentality in society, as expressed by Machin & Manning (in Suseno, et, al, 2021).

Based on the description above, it seems that there is a paradoxical condition where regions that have industrial zones and experience an increase in investment value, but have high unemployment rates. This study aims to stimulate an increase in the quality of investment so that it can have a positive impact in efforts to reduce the unemployment rate in Serang Regency.

## II. Literature Review

### 2.1 Definition of Investment

According to Todaro (2000: 137-138), investment plays an important role in driving the nation's economic life, because capital formation increases production capacity, increases national income and creates new jobs, in this case it will further expand employment opportunities.

According to Sukirno (2008: 122), investment can also be interpreted as spending or spending by investors or companies to buy capital goods and equipment to increase the ability to produce goods and services available in the economy.

### 2.2 Definition of Unemployment

According to the Central Bureau of Statistics (BPS) in terms of employment indicators, unemployment is people who are not working but are looking for work or are preparing for a new business or people who are not looking for work because they have been hired but have not started working.

According to Sukirno (1994), unemployment is a situation where someone who is included in the labor force wants to get a job but has not got it yet.

### 2.3 Impact of Unemployment

According to Nanga and Muana in Zarkasi (2014), mentioning unemployment has an impact on the economy and the individual himself, a) Unemployment causes the

community to be unable to maximize welfare b) Unemployment causes government revenue (tax revenue) to decrease c) Unemployment can have two negative consequences for the private sector d) Unemployment causes a person to lose his livelihood and income e) Unemployment can result in a person losing his skills f) Unemployment can lead to social and political instability

#### 2.4 Relationship between Investment and Unemployment Rate

The relationship between investment and employment opportunities according to Harrod-Domar in (Mulyadi, 2002) says that investment not only creates demand, but also increases production capacity. Labor, which is one of the factors of production, will automatically be increased by its users. Therefore, every country tries to create a climate that can attract investment, especially private investment, which can help create jobs so as to increase employment opportunities (Dumairy, 1997).

### III. Methodology

This research was conducted using a qualitative approach, the types of data used in this research were primary and secondary data, data collection techniques were carried out by in-depth observation of the data through three stages, namely, (1) data reduction (2) data presentation (3) drawing conclusions and data verification.

### IV. Results and Discussion

Investment is an effective strategy to accelerate economic growth in an area. A high level of investment in an area can encourage increased economic growth. Therefore, the implementation of investment affairs is one of the important aspects that can support increasing the contribution of the financial sector to GRDP in Serang Regency. Investment can be divided into two categories, namely Domestic Investment (PMDN) and Foreign Investment (PMA). PMDN refers to the use of domestic capital to support efforts that promote economic development in general. Meanwhile, PMA is a type of foreign direct investment in accordance with Indonesian laws and regulations, in which the capital owner bears the risk directly on the investment.

**Table 3**  
Investment Realization in Serang District

| Year | Target  |        | Realization |        |
|------|---------|--------|-------------|--------|
|      | PMDN/DI | PMA/FI | PMDN/DI     | PMA/FI |
| 2020 | 2,89 T  | 2,40 T | 3,37 T      | 4,53 T |
| 2021 | 2,97 T  | 2,47 T | 2,44 T      | 3,29 T |

|             |        |        |        |        |
|-------------|--------|--------|--------|--------|
| <b>2022</b> | 3,06 T | 2,54 T | 1,90 T | 4,81 T |
|-------------|--------|--------|--------|--------|

Source: LKIP DPMPTSP Serang District

The investment value of FDI in the last three years has fluctuated by an average of 4.21 trillion rupiah, although it fluctuated, the realization of FDI investment in Serang Regency always reached the target and even had a surplus. Meanwhile, the value of PMDN investment in the last two years experienced negative growth and did not reach the target. stipulated, this may be because PMDN is still affected by the pandemic. However, when combined with investment realization between PMA and PMDN, investment realization in Serang Regency has always exceeded the targets set in the last three years.

**Table 4**  
Serang District Open Unemployment Rate

| Year        | TPT (%)        |                 |          |
|-------------|----------------|-----------------|----------|
|             | Serang Regency | Banten Province | National |
| <b>2020</b> | 12,22          | 10,64           | 7,07     |
| <b>2021</b> | 10,58          | 8,98            | 6,49     |
| <b>2022</b> | 10,61          | 8,09            | 5,86     |

Source: Central Bureau of Statistics

Meanwhile, on the other hand, the percentage of open unemployment rate in Serang Regency is still very high. In the last three years, the open unemployment rate in Serang Regency has always been above the Banten Provincial and National unemployment rates, even in the last two years, when compared to other Regencies/Cities. The percentage of unemployment rate in Serang Regency is ranked first in Banten Province.

**Table 5**  
Elasticity of employment opportunities based  
on investment value in Serang District

| Year        | Workforce Growth (%) | Investment growth (%) | Elasticity |
|-------------|----------------------|-----------------------|------------|
| <b>2020</b> | -0,727               | 15,16                 | -0,048     |
| <b>2021</b> | 3,339                | -27,47                | -0,122     |
| <b>2022</b> | 1,331                | 17,10                 | 0,078      |

The table above shows employment absorption based on investment value. If you pay attention to 2022, the employment opportunity elasticity is 0.078, meaning that every 1% growth in investment value in Serang Regency is able to absorb 0.078% of the workforce. In 2021, even though the elasticity number shows a negative number, it can still be said that every 1% growth in investment value in Serang Regency is able to absorb 0.122%, this is because the affected variable has a positive value, inversely proportional to 2022 because the affected variable is negative, which means that labor absorption has experienced decreased by 0.048 even though investment increased by 1%.

An increase in investment value is indeed very necessary, but it would be better if the increase in investment value was accompanied by an increase in innovation and investment quality because these two are the main capital to encourage higher economic growth. In BKPM's 2020-2024 Policy Priorities Increasing Innovation and Investment Quality are the two main pillars in the investment policy direction for 2020-2024.

Various efforts can be made to reduce the unemployment rate, it's just that the focus of the problem raised by the author in this report is how investment can be felt by the community in terms of creating jobs to reduce high unemployment in Serang Regency. The benefits or gains from incoming investment are strongly influenced by the quality of the investment, in order to be able to encourage growth in the real sector, and have a chain effect on high employment. Optimal employment absorption is one indicator of success in improving the quality of investment.

Improving the quality of investment in Serang Regency is an effort that can be made by the Serang Regency government in reducing the high number of open unemployment in Serang Regency. One of the efforts that can be made by the Government of Serang Regency is to encourage investment in labour-intensive businesses and development of business fields that involve the community by utilizing available human resources.

Providing investment incentives/facilitation to the Labor-Intensive business sector and/or business fields that involve the community, needs to be encouraged in Serang Regency with various schemes or strategies, and of course the establishment of a scheme. / ease of regional investment.

In overcoming the high rate of open unemployment in Serang District, the efforts made by the local government certainly require support from the unemployed. The effort that can be made by the unemployed is to equip themselves with the skills needed in a job.

Various other alternatives can also be made to overcome high unemployment, one of which is the application of resource sharing innovations, as in the research conducted (Suseno, et, al, 2021). Efforts to reduce unemployment in Serang Regency can be realized if there is synergy between all parties involved. involved.

## V. Conclusion

Increasing the value of investment in Serang Regency must be accompanied by increasing the quality of investment in order to stimulate more optimal economic growth. In this context, improving the quality of investment can play a role in reducing the high level of open unemployment in the region. An increase in the quality of investment will increase productivity, efficiency and business competitiveness, which in turn will open up new opportunities to create jobs and improve people's welfare. Therefore, implementing a strategy to improve the quality of investment in Serang Regency is an important key in accelerating regional economic development and reducing the open unemployment rate.

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