Employment Regulations and Creation of Skilled Manpower in Industry in East Java Province

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ABSTRACT
The purpose of this study is to further analyze the effect of labor regulations in Indonesia on the provision of skilled labor and encourage entrepreneurs to provide labor in Indonesia to improve export quality. This research uses mixed methods, with a combination of qualitative and quantitative methods to be able to provide results and descriptions related to the influence of labor regulations on workforce creation. This study underscores three important things. First, the understanding of business actors towards labor regulations is still low, and some do not yet know it. Second, the limited capacity of business actors (funds, time, and experts) to conduct intensive and unique training in obtaining skilled workers. Third, the government’s attention to labor regulations is still relatively low. So far, the routine is the determination of the UMK every year. Overall, this study observes that no derivative regulations are applied at the local level in creating skilled workers, which causes employers to seek to provide skilled workers with available resources.

INTRODUCTION
Changes in the economic structure globally, from being dominated by the agrarian sector to the industrial sector, indicate that economic conditions in Indonesia are improving. This is evidenced in 2018, Indonesia was ranked 45th in the category of The Global Competence Report 2018 (Wahyuni et al., 2020). In the 1945 Constitution, it is written that one of the goals of national development is to promote the general welfare of all Indonesian people who are just and prosperous, both materially and non-materially. The development of the industrial sector is one of the pillars of national development that can absorb a lot of workers (Iliham, 2017). After implementing regional autonomy in 2001, the government created a business climate through licenses and employment regulations. There are three labor classifications: manual labor, educated labor and skilled labor. Specifically, it can be understood that skilled workers have expertise in certain fields and experience (Welianto, 2020). Articles 5 and 6 of Law No. 13 of 2003 guarantee equal rights and freedom from discrimination by employers. Every regulation that regulates labor always refers to the Law. Looking at the workforce’s condition in Indonesia, wage regulations are increasingly tightening (Suhartoyo, 2020).

Wages are the most important thing in the survival of the community. The distribution of wages must be done fairly and by applicable regulations. Article 27 of the 1945 Constitution explains that every citizen has the same rights in terms of law, and the government has the right to decent work from a humanitarian perspective. This article can be used to give workers’ wages for their work (Suhartoyo, 2020). Firiswandi (2017) mentions the effect of the linkage of wages and capital on labor absorption in small industries showing that the independent variable consisting of wages and capital can explain the dependent variable, namely Labor Absorption (Y) of 62.4%, while the remaining 37.6% is explained by other variables not included in this research model. In the last three decades, Indonesia has been known to have a comparative advantage in cheap labor. The cheapness of labor in Indonesia, this factor is still the dominant production factor (labor intensive). Furthermore, Firiswandi (2017) & Suhartoyo (2020) explain that the Wage variable is the most significant compared to capital. Most workers involved in the production process have an educational background that is not too high (elementary or junior high school).

In general, the workforce is a population of productive age or aged 15-64 years. At that age, some of them are of working age but do not work because they are studying, either in high school or college. Nevertheless, some of them may have worked due to the economic crash. Based on the results of the 2020 National Labor Force Survey (Sakernas) published by the Indonesian Central Statistics Agency, it was found that those workers/employees/employees who completed their last education in Junior High School and below, they received a monthly net wage ranging from 1.74 million rupiahs to 2.202 million rupiahs. When viewed from the determination of the People’s Minimum Wage (UMR), especially in the East Java region, it is considered low for employing skilled workers (Badan Pusat Statistik, 2020). Smith (1976) argued that wages are a very important component of the economy. In the theory that discusses equalizing the level of wages for each worker, they have their supply and demand rights to determine the level of wages and the number of workers they can absorb (Miller, R. L. R., & Meiners, 2000). The definition of the wage rate itself is the total expenditure of money and goods paid by the company to workers or laborers in return for the work they do in the company. The industrial world is one sector that can improve the welfare of citizens (Putra et al., 2012). The classification of industrial sectors
uses the International Standard Industrial Classification (ISIC) to classify or categorize data based on the type of production to see economic phenomena, encourage comparability of international data, provide guidelines for the classification of national development, and prioritize the development of a simple national statistical system. Nasution (2009) state that economic growth positively and significantly impacts employment. Investment has a positive and significant impact on employment. The number of industries has a positive and significant impact on employment. Referring to Firiswandi (2017) & Nasution (2009) observations of the industrial sector with ISIC codes 15, 18, 19, 20 and 28 and associated with the influence of labor regulations in East Java will be a bridge to see the critical power of entrepreneurs towards the supply of labor in Indonesia to improve export quality as indicated by significant influence on the number of wages, employment, and investment that can affect labor conditions in Indonesia.

So that this paper is expected to be able to see the influence of labor regulations in Indonesia on the provision of skilled workers and how to identify the obstacles and challenges employers face in obtaining skilled workers. Furthermore, this paper is to observe the effect of labor regulations in Indonesia on the provision of skilled workers and to encourage the critical power of entrepreneurs towards the provision of labor in Indonesia to improve export quality.

METODE

This study describes the effect of labor regulations in East Java on providing skilled labor. A mixed research method (Mixed Method) is used in this study. The mixed method is used because it can produce more comprehensive facts in researching research problems. After all, researchers can use all data collection tools according to the type of data needed (Cresswell, 2009; Johnson & Onwuegbuzie, 2004). Primary data was obtained from the distribution of questionnaires to fifty respondents from each industry code that became the object of the study, taken randomly, and there were no special criteria. In addition to distributing questionnaires, primary data was collected through focus group discussions (FGD). The FGD was conducted by inviting five key figures, including the Indonesian Private Training Association, private training providers and community leaders, to verify field findings resulting from the questionnaire distribution. Secondary data obtained from websites and social media that can provide information owned by companies in several industries are the samples of this research.

The object of this research is an industry with ISIC code 28 (manufacture of fabricated metal products, except machinery and equipment) located in Malang Regency. The industry with ISIC Code 18 (manufacturing of wearing apparel) is located in Gresik Regency. The industry with ISIC Code 19 (manufacturing of tanning and dressing of leather) is located in Sidoarjo Regency. An industry with ISIC Code 20 (manufacturing of wood and products of wood and plating materials except for furniture) located in Banyuwangi Regency. An industry with ISIC Code 20 (manufacturing of wood and products of wood and plating materials except for furniture) located in Banyuwangi Regency.

RESULTS AND DISCUSSION

Conditions of Economic Growth and Labor Absorption in East Java

East Java’s economy for the whole year 2021 increased compared to 2020. East Java’s economic performance in 2021 grew by 3.57% (yoy) or increased compared to 2020, which grew by -2.33% (yoy). In general, easing the policy on limiting community activities in 2021 in line with the reduced cases of Covid-19 and the acceleration of the Covid-19 vaccination will encourage community mobility and the opening of the productive economic sector. This encourages an increase in domestic public demand, as reflected in household consumption growth and net exports between regions in 2021 compared to the previous year. In general, employment conditions in August 2021 were relatively lower compared to February 2021, as reflected in the Open Unemployment Rate (TPT) increase from 5.18% in February 2021 to 5.73%. However, the Labor Force Participation Rate (TPAK) increased from 69.75% to 70.00%.

One of the indications in measuring regional economic activity is calculating the size of the Gross Regional Domestic Product (GRDP) received (Habiburrahman, 2012). In 2021, East Java’s ADHB GRDP will be 2,454.50 trillion. With details, in the first quarter of 2021, East Java’s ADHB GRDP amounted to 588.49 trillion. In the second quarter, it rose to 605.51 trillion, increased again in the third quarter to 625.63 trillion, and increased again in the fourth quarter to 634.87 trillion.

When viewed in business fields, the increase in the value of GRDP can still be considered quite volatile. In the last year, East

Figure 1. Field Findings Respondent Profile

The grouping of field findings for Industries with ISIC Codes 15, 18, 19, 20, and 28 by using a pie chart percentage shows that industries with ISIC Code 20 (manufacturing of wood and products of wood and plating materials except for furniture) are more commonly encountered in the field than with ISIC code 19 (manufacturing of tanning and dressing of leather) which is only 4%. This research was conducted for one month, starting from the end of August to the end of October 2021. Questionnaire data was managed by grouping it based on the questions asked. After grouping, the data is further processed so that it can be described in the form of graphs or diagrams. The processed data (in the form of charts, graphs, charts or diagrams) are then interpreted, compared between industries or job training centers and analyzed using relevant theories and previous research. Meanwhile, the data from the FGD, which is narrative data, is used to help describe and clarify quantitative data collected through questionnaires.
Java is still in the period of economic recovery caused by the Covid-19 pandemic. Several home-based businesses and large, medium, and small-scale industries terminated their business operations, and many permanently closed their businesses. The government’s program of Large-Scale Social Restrictions (PSBB) is also an obstacle to the economic growth rate and the economic activity process that closes many accesses to every area where production materials are obtained. Thus, open unemployment in several regions, especially East Java, has experienced a very significant increase.

For this problem, the government’s role is crucial to restoring the weakened economy. This started with launching a program for business actors, one of which was by helping from BPUM (Banpres for Productive Micro Enterprises), which was expected to help the rise of businesses, especially small community businesses (Rapitasari, 2021). With the economic recovery program by the government, the market economy can return to normal by returning to normal market demand so that the prices of marketed products are stable again, and the absorption of labor will gradually increase as normal. Overall, various programs from the central government were disbursed for regional economic recovery. Starting from non-cash food assistance from Rp. 2.8 million to Rp. 3.8 million/family receiving assistance. Also, cash social assistance with IDR 1.4 million and PKH assistance (Rapitasari, 2021).

The push for capital is also a factor in the recovery of economic conditions in East Java, such as with credit assistance from state-owned enterprises and private banks, which have encouraged several industrial players to increase their production. In addition to using credit and capital assistance, other innovations owned by the industry, such as the existence of side businesses, encourage industry income figures. Specifically, in East Java, the East Java program has been launched, which has 20 mainstay programs (Rapitasari, 2021). Based on the research results, it is known that quite a several respondents (representatives from an industry) have created side businesses as a solution to the decline in income figures since the COVID-19 pandemic. The following are the findings obtained by researchers in the field.

![Figure 2. Ownership of Side Business](https://doi.org/10.35308/jpp.v6i4.5511)

The pie chart presents the percentage of other business owners for respondents. The researcher found the results on the pie chart that the respondents did not have other businesses that were very dominant in the percentage of 62%, this was due to the respondents’ main business being very profitable, so they only focused on the main business and maintaining the quality of production. The other respondents (as many as 38%) are not only engaged in one line of business but are also engaged in other business fields and helping to absorb labor in their area.

![Figure 3: Types of Side Business](Image)

The results of the percentage of other business owners, based on respondents in Figure 3, show that the side businesses owned by respondents are dominated by agriculture and plantation businesses (42%). In contrast, in the trading business, it is 16% and 5% (minimum) in the service business. This does not rule out those who do not have a side business (37%).

![Figure 4. Total Other Operating Income](Image)

Table 1 shows turnover in each business group from ISIC 15, ISIC 18, ISIC 19, ISIC 20, and ISIC 28. In this table, business turnover is grouped into four groups: business turnover of 5-10 million rupiah per month, 11-20 million rupiah, 21-50 million, and the last one above 100 million. The table above shows the highest turnover achieved by the industry-coded ISIC 15 (Manufacturing of food products and beverages), which has the highest monthly turnover with a total business turnover of over 100 million rupiah per month with a percentage of 3.45 percent of entrepreneurs.
Meanwhile, for respondents with a side business, the dominant average income is in the range of 1-5 million rupiah with a total percentage of 31 percent, and the range of 6-10 million per month has a percentage of seven percent.

Table 2. Number of Workers

<table>
<thead>
<tr>
<th>Gender</th>
<th>1-5 Worker</th>
<th>6-10 Worker</th>
<th>&gt;10 Worker</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>44.83%</td>
<td>34.48%</td>
<td>6.90%</td>
</tr>
<tr>
<td>Female</td>
<td>55.17%</td>
<td>-</td>
<td>10.34%</td>
</tr>
</tbody>
</table>

Male employees are 1-5, with a total percentage of 44.83 percent of respondents. 6-10 workers by 34.48 percent and above 10 workers by 6.90 percent. Meanwhile, for female employees, there are 1-5 workers at 55.17 percent and 10.34 percent for above 10 workers. So it can be concluded that the majority of workers are women. Based on the results of another survey, it was also found that the oldest business was founded in 1976, in the form of a leather bag craft business in Tangerungin Sidoarjo. The majority of respondents whose businesses were established after 2000 were 65.52 percent. Supposed further from the survey results that 93.1 percent of respondents are not association members. In contrast, those who are members of the association are only 6.9 percent. The associations oversee the Intake Cooperative and HIPSI (Indonesian Santri Entrepreneurs Association). Some of them stated that joining an association is very helpful for business continuity. Also, joining the association will create a good business environment and increase business relations.

Table 3. Market Share

<table>
<thead>
<tr>
<th>ISIC Code</th>
<th>Local</th>
<th>Regional</th>
<th>Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISIC 28</td>
<td>3.45%</td>
<td>3.45%</td>
<td>-</td>
</tr>
<tr>
<td>ISIC 18</td>
<td>10.34%</td>
<td>6.90%</td>
<td>-</td>
</tr>
<tr>
<td>ISIC 19</td>
<td>3.45%</td>
<td>3.45%</td>
<td>3.45%</td>
</tr>
<tr>
<td>ISIC 20</td>
<td>37.93%</td>
<td>41.38%</td>
<td>17.24%</td>
</tr>
<tr>
<td>ISIC 15</td>
<td>31.03%</td>
<td>13.79%</td>
<td>-</td>
</tr>
<tr>
<td>Etc</td>
<td>-</td>
<td>-</td>
<td>3.45%</td>
</tr>
</tbody>
</table>

Through the results of data processing, it can be seen that respondents from industries with ISIC codes 19 and 20 have a fairly broad target market. In industries with ISIC code 19, the target market has the same local, regional and export percentage of 3.45 percent. Meanwhile, the industry with the ISIC code 20 has a local target of 37.93 percent, a regional market target of 41.38 percent, and an export market target of 17.24 percent. Meanwhile, respondents who work in industries with ISIC codes 28, 18, and 15 focus on local and regional target markets only.

Table 4. Main Business Financing Sources

<table>
<thead>
<tr>
<th>ISIC Code</th>
<th>State-owned bank</th>
<th>Private Bank</th>
<th>BPR</th>
<th>Informal Financing Institutions</th>
<th>Alone/family</th>
<th>Cooperative</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISIC 15</td>
<td>10.34%</td>
<td>6.90%</td>
<td>3.45%</td>
<td>3.45%</td>
<td>6.90%</td>
<td>-</td>
</tr>
<tr>
<td>ISIC 18</td>
<td>3.45%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ISIC 19</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3.45%</td>
</tr>
<tr>
<td>ISIC 20</td>
<td>20.69%</td>
<td>-</td>
<td>3.49%</td>
<td>6.90%</td>
<td>10.34%</td>
<td>-</td>
</tr>
<tr>
<td>ISIC 28</td>
<td>6.90%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Lain lain</td>
<td>3.43%</td>
<td>3.45%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Furthermore, for the business financing process, business actors with ISIC codes 15, 18, 20, and 28 get their financing sources from state-owned banks, private banks, rural banks, informal financing institutions, and their own or family sources of funds. Meanwhile, in industries with ISIC code 19, 3.45 percent of respondents stated that they obtained business financing through cooperatives. This shows that producers use financing from personal or family funds to set up a side business.

Manpower Provision for Skilled Workers in East Java

Sumarsono (2003) provides an explanation related to job opportunities. Job opportunities are jobs that have been occupied (employment) or are still vacancies (Satria, 2018). The percentage change in the labor demand will impact the wage level even though it is only counted as one percent. In this way, providing skilled workers will also greatly impact labor absorption in sectors that require labor criteria as expected (Rahman et al., 2020). Skilled laborers come from the workforce and have special skills and abilities.

Regarding the provision of skilled workers, in this case, the local government contributes to preparing workers through the Regional Manpower Office by carrying out job skills training activities by inviting competent instructors in their fields in collaboration with private and government-owned job training institutions in each region so that after the government training is carried out through the local manpower office, they can monitor the progress of each participant, both workers and prospective workers who take part in the training activities. In addition, cooperation between the regional manpower office and private and government-owned training institutions can be useful to facilitate or assist companies in obtaining competent, skilled workers. Provision of knowledge gained by each participant of the trainer activity, proven through a competency test which will show whether the participants, who are already working and the future workforce, are competent or still need to retrain in that field. National certificate as a form of capital so that these prospective skilled workers prove that they are ready to work and show their expertise.

This is a form of concern and the responsibility of local governments to prepare skilled workers, which is also a solution to reduce unemployment and poverty in each region. In industries with certain ISIC codes, skilled workers may still have a 50 percent compared to ordinary workers. This indicates that a person’s skill or ability in a particular field greatly impacts their work environment. Based on the results of a survey in several regions in East Java, namely: Gresik, Sidoarjo, Malang, and Banyuwangi, it is found that obtaining a workforce that matches the skills possessed is still 55.2 percent of the difficulty level. Nevertheless, 41.4 percent said it was easy. To obtain workers, respondents stated that opening job vacancies, in general, did the
recruitment process; 93.1 percent, namely individual applicants, came to employers. Meanwhile, only 3.4 percent of respondents stated that they got workers through recommendations from educational institutions, and the same number of workers were recruited based on family recommendations.

**Important Factors in Employment Availability**

Mincer (1974) mentions that in human capital theory, economic models are often used to explain the labor market state. Based on the theory of the neoclassical approach that workers or laborers will get wages based on the amount of marginal output they get (Al Ghazali et al., 2012). According to Kuncoro (1999), five important factors affect the availability of employment: (1) the awareness factor of business actors. As business actors, of course, they must be aware of their ability to provide workloads with fair wages and awareness of the importance of providing protection and safety guarantees for workers in the work environment. (2) awareness factor (awareness) of prospective workers, namely the need for awareness for themselves on the abilities and knowledge of each individual and understanding the agreement offered by the company. (3) Availability of training institutions. With job training, prospective workers can maximize their abilities and self-development to create a workforce ready to work or be used. In addition, entrepreneurs can also easily find skilled workers simply by contacting training institutions. (4) Availability of laws and regulations. In general, we know that the benefits of the legislation are to maintain and protect every citizen’s right, resolve problems or disputes fairly, and regulate the course of state government. Similarly, the labor laws and regulations regulated in the RI Law Number 13 of 2003 are useful for protecting workers’ rights that must be fulfilled and obeyed by the company while helping to resolve problems or disputes fairly to create a harmonious work environment (Suhartoyo, 2020). (5) Availability of business institutions or associations. The existence of an institution or association that can oversee a business can be very helpful for entrepreneurs in running their businesses. Good in making it easier for entrepreneurs to find skilled workers, cooperation between entrepreneurs with one, and improving the business environment with fair competition.

However, based on the results of a survey conducted by researchers, some interesting things were found first; in the labor selection process, it was stated that 72.4% complained about the lack of skilled workers being recruited. Furthermore, 17.2% of respondents stated that the barriers to the recruitment process were due to the labor specifications not being as expected. Second, the understanding of business actors about labor regulations on average is still low, and no one knows. Some business actors are still home industries, so labor regulations are not given much attention. In addition, business actors also experience limited capacity availability regarding funds, time, and experts to conduct special and intensive training in obtaining skilled workers. Apart from that, private training institutions also have limitations in developing themselves.

The linkage of job training was found that several private training institutions also had limitations in developing themselves. The lack of experts and the company’s trust in the institution, as well as feedback from the participants, is one of the causes of these limitations. Things like this also need to be a concern of the government because, so far, the government has only focused on determining the UMK, but is not intense in providing guidance related to labor regulations (Gunawan & Nuzula, 2020).

In this case, the challenge for business actors is in an increasingly advanced era of industrial competition at the global level that demands competitive and comparative advantages, not only low-cost labor. The potential for link and match availability between vocational education graduates and graduates who are ready to work in the world of work is still relatively low. Several trends and motives were found in the process of this research, showing that: (1) The general trend of all research sites is in contrast due to the pandemic and local political dynamics; (2) The strongest motive for the business to be engaged in is the trust in the government through a vaccination program that will lead to economic recovery efforts, marked by the start of community activities that can provide a small stream of income sufficient for post-pandemic business development; (3) The sustainability motive as outlined in the expectation of an improvement in the education mechanism for skilled workers makes business units very dependent on the supply of training institutions, both private and government-owned, in meeting the needs of the workforce. The movement of the economy that began to squirm, marked by increasing demand for production, requires an adequate supply of skilled labor, dan .(4) The need for an adequate skilled workforce encourages the business community to develop independent training centers that complement formal vocational training institutions. With independent community-based training institutions, business agglomeration becomes an option for sustainable production.

**CONCLUSION**

Labor regulations in Indonesia affect the working relationship between employers and workers, there is a mutual agreement on wage guarantees. This can be seen from the regional minimum wages set in each region. In addition, there are obstacles and challenges faced by employers in obtaining skilled workers, such as many who do not understand the Government Regulation of the Republic of Indonesia Number 31 of 2006 which regulates the National Job Training System which causes workers’ rights to receive proper training for wages, as it should be. Late. In addition, there is no derivative document of labor regulations at the regional level that regulates the improvement of workers’ skills at the beginning of their careers. The government recommends that companies recruit new workers by involving private training institutions or related agencies to ensure the skills desired by companies and workers can be well paid. In the future, this research provides an opportunity for further research on how the role of vocational training centers, both managed by the private sector and the community, can contribute to the preparation of skilled workers.

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