LABOR MARKET OF MICRO AND SMALL INDUSTRY SECTOR

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Abstract

Persaingan pasar tenaga kerja di Asean Economic Society akan ditentukan oleh produktivitas tenaga kerja. Usaha kecil makanan dan minuman merupakan sub sektor tertinggi yang merekrut tenaga kerja di Aceh. Pada 2010 ada 929.910 usaha kecil yang mampu merekrut 2.152.981 tenaga kerja atau sekitar 31,99%. Ada tiga variabel yang mempengaruhi penyerapan tenaga kerja, upah, produktivitas tenaga kerja dan modal. Penelitian ini menggunakan teknik regresi berganda untuk menganalisis data. Analisis teknik digunakan untuk menemukan dampak upah, produktivitas dan modal terhadap penyerapan tenaga kerja pada usaha kecil dan perusahaan. Berdasarkan temuan penelitian, keunggulan kompetitif tenaga kerja Indonesia berada pada peringkat keenam sepuluh negara di ASEAN. Penelitian ini juga menemukan bahwa produktivitas berpengaruh signifikan terhadap penyerapan tenaga kerja sementara modal dan upah tidak berpengaruh signifikan terhadap penyerapan tenaga kerja di Provinsi Aceh.

Keyword: Labor Competitiveness, Productivity, Capital, Wages and AEC.

1. INTRODUCTION

The labor competition is tighter since the ASEAN Economic Community (MEA) was applied. The Countries in the Southeast Asia will establish an integrated area, it would be affect to investment access, distribution of goods and services more easily, that competent labors have a great opportunity to enter another country. The labor are not ready to compete, they will lose in the ASEAN Economic Community competition. This is a new challenge for Indonesian economic development. Labor productivity is the main factor of economic competitiveness, but infrastructure, education quality, investment climate, transportation conditions, logistics, a pro-business banking system and other supporting factors need to be improved to increase the competitiveness of the Indonesian economy in the ASEAN market.

According to Michael Porter, competitiveness in international trade will be achieved through excellence comparative, such as the importance of technological elements and the relationship between governments and the business community should be synergize to improve competitiveness in international trade. The mastery of technology has been proven by Japanese corporations, they imitated goods which are already invented and made them better and cheaper.

The high unemployment levelhas been the main problems of economic development and employment in Indonesia. The number of new labors is increasing faster than the employment growthwhich can be provided annually (Amri Amir: 2004:2). In 2014, Indonesia has the unemployed 7.56 million persons (Central Statistics Body 2015), while in the Aceh Province, there were 216.806 person are unemployed (Aceh Central Statistics Body 2015).

The process of economic development of a country is often associated with the process of industrialization. The development of industry is the one of the directions for the welfare of the society, namely improving the lives more advanced and qualified (Sukirno, 2005). The industrial

sector became the leader of the other sectors to advanced economy system, it's caused by industrial products have a high trading power (Term of Track), more profitable, and is able to create a greater added value compared with products from other sectors. In addition, the industrial have variation production and capable of providing high marginal benefits to consumers (Dumary, 2002).

The Small business enterprises (IMK) has an important role in Indonesian economics. IMK is a major player in economic activity in several sectors, as the largest provider of jobs, as an important player in the development of local economic activities and society empowerment, as well as a creator of new markets and a source of innovation. IMK is a labor intensive, which requires labor is more big industries that focused on capital (capital intensive).

Based on data from BPS (2015), the growth of small business enterprises in Indonesia increased by 5.65%, and based on data from BPS Aceh (2015) the number of small business enterprises in Aceh Province are 1,862 units or 2.09% of the total IMK in Indonesia. The food processing industry is as the biggest contributor in employment provider and equalizing the society's income. In 2010, Indonesia has 929 910 units of food processing industry, in every year these industries can provide employment by 2,152,981 people or 31.99% of the total labor IMK in Indonesia (Small and Micro Industries, BPS 2010).

Based on this background, the researcher is interested to analyze the factors affecting that influence recruitment of labors in food and beverages small business enterprises in Aceh Province. The factors become variable in this research are labor wages, labor productivity and capital.

2. RESEARCH METHOD

2.1 Research Scope

This research was conducted to analyze labor absorbtionin food and beverages small business enterprises in Aceh Province.The variables will be researched are labor wages, labor productivity and capital.

2.2 Data Types and Source

These research using secondary primary data. Secondary data obtained by the Aceh Central Body of Statistics (BPS), The Department of Industry, Cooperation Trade and Aceh small businesses and equipped with literal studies. The primary data is the raw data obtained from small business enterprise in Aceh Province, based on a small business enterprise survey in 2014 by the Aceh Central Body of Statistics (BPS Aceh), specifically in the food and beverage industry (code 10 for food and code 11 for beverage industries). The number of labor absorptions in food and beverage small business enterprises in Aceh Province, labor wages, capital and labor productivity as the primary data.

2.3 Analysis Method

The analysis used in this research was multiple linear regressions with a least square method or Ordinary Least Square (OLS). The model used in this research based on production theory. The general form of the production function is able to be written as the following:

$$Q = f(K,L) \qquad\qquad (2.1)$$

Explanation:

Q= Output, K= capital, L= labor

The production function model in equation (2.1) above is transformed into a lagrangian equation form for obtaining the labor demand function which is the following:

$$Q = f(K, L) \qquad (2.2)$$

Minimum c *(w, r, Q) = min w L + r K*

Subject to $Q = f(K, L)$

The production function in equation (2.2) is transformed into another lagragian function so the form of the equation becomes :

$$i = w L + r K + \lambda [Q - f(K, L)] \qquad (2.3)$$

The first derivatives (first-order conditions) from equation (2.3) above to K, L and λ are as the following:

$$w - \lambda fl = 0 \qquad (2.4)$$

$$r - \lambda fl = 0 \qquad (2.5)$$

$$Q - f(K, L) = 0 \qquad (2.6)$$

From equations (2.4) and (2.5) is obtained:

$$\frac{w}{r} = \frac{\lambda fL}{\lambda fK} \qquad (2.7)$$

$$K = \frac{w}{r}. L \qquad (2.8)$$

Equation (2.8) substituted to equation (2.6)

$$Q = f(K, L) \, Q$$

$$= (\frac{w}{r} L). L$$

$$Q = \frac{w}{r} L^2$$

$$L^2 = \frac{Q}{w/r}$$

$$L = \sqrt{\frac{r}{w}} Q \qquad (2.9)$$

$$Ld = F(r, w, Q) \qquad (2.10) \, Ld$$

$$= F(r^+, w^-, Q^+) \qquad (2.11)$$

Where : C cost, r = price from capital (interest level), K = capital, w = price from labor (wage), L = number of labor, Q = production Ld = demand of labor, i = lagrange equation and λ = artificial variable.

The equation (2.10) above is transformed into a linear regression form by using logarithm (Ln), the form of the equation becomes as the following:

$$\textbf{Ln LD} = \alpha + \beta_1\textbf{LnR} + \beta_2\textbf{LnQ} + \beta_3\textbf{LnW} \qquad (2.12)$$

The equation above os able to be written in a linear regression form as the following :

$$\textbf{Ln LD} = \beta_0 + \beta_1\textbf{LnR} + \beta_2\textbf{LnQ} - \beta_3\textbf{LnW} + \varepsilon \qquad (2.13)$$

Explanation:
LD = The number of labor absorption in small business enterprises and the unit of measure in persons

R   = capital in small business enterprises and the unit of measure is in rupiah

Q   = The number of labor productivity in small business enterprises and the unit of measure is in rupiah

W   = Wage of labor in small business enterprises and the unit of measure is in rupiah

A   = constant

B   = coefficient

3. RESULTS AND DISCUSSION

3.1 AEC Competitiveness

Publications by the International Labor Organization (ILO) mentions that the productivity of Brunei Darussalam has the highest labor productivity value with a value of $100,015 then followed by $ 98,072, Malaysia $35,751, Thailand $14,754 and Philippines $10,026. The productivity competitiveness of Indonesia is ranked sixth after the Philippines with a productivity value as large as $9,848 and it is still better compared with Vietnam and Cambodia. The counting is implemented based on constant values in 2005 and its development in 2013.

Table 1: ASEAN Labor Market Indicator 2014

| Country | Workforce (000s)[a] | Education and skill development | | | Average Monthly Wage ($) | Labor Productivity (Constant Numbers 2005 ($) |
		Literacy Rate 15 years and over (%)	TVET (number of admissions) (%)	Higher Education Admissions (%)		
Brunei Darussalam	186	95.4	11.4	24.3	...	100 015
Cambodia	7 400	73.9	2.3	15.8	121	3 989
Indonesia	118 193	92.8	18.0	27.2	174	9 848
Lao PDR	3 080	72.7	0.8	16.7	119	5 396
Malaysia	13 785	93.1	6.8	36.0	609	35 751
Myanmar	30 121	92.7	…	13.8	...	2 828
Philippines	41 022	95.4	…	28.2	206	10 026
Singapore	3 444	95.9	11.6	...	3 547	98 072
Thailand	39 398	93.5	15.4	51.4	357	14 754
Viet Nam	53 246	93.4	…	24.6	181	5 440

Source: ILO 2015

Towards the ASEAN Economic Community the competition of labor is determined by the productivity value of labor in each country, because the mentioned value reflects the ability of a nation's labor in producing goods and service products. Observed from the results of this publication, the competitive position of Indonesia's labor in facing the ASEAN Economic Community is in a position below the average of developed countries in the ASEAN region.

3.2 The Number of Small Business Enterprises in Aceh Province

Small Business Enterprises in Aceh Province total at 1,862 business units that spread in 81 regencies/cities (Aceh Central Body of Statistics 2015). Locations in regencies/cities influence the number of small business enterprises, this is able to be seen in Table 2

Table 2. Developing numbers of small business enterprises of Regencies/Cities in Aceh Province 2014

No.	Regency/City	The Number of Small Business Enterprises (unit)	Percentage of the Province (%)
1	Simeulu	8	0.43
2	Aceh Singkil	20	1.07
3	Aceh Selatan	74	3.97
4	Aceh Tenggara	29	1.56
5	Aceh Timur	46	2.47
6	Aceh Tengah	17	0.91
7	Aceh Barat	39	2.09
8	Aceh Besar	40	2.15
9	Pidie	416	22.34
10	Bireuen	255	13.69
11	Aceh Utara	197	10.58
12	Aceh Barat Daya	17	0.91
13	Gayo Lues	165	8.86
14	Aceh Taming	36	1.93
15	Nagan Raya	21	1.13
16	Aceh Jaya	14	0.75
17	Bener Meriah	3	0.16
18	Pidie Jaya	303	16.27
19	Banda Aceh	67	3.60
20	Sabang	30	1.61
21	Kota Langsa	35	1.88
22	Lhokseumawe	28	1.50
23	Subulussalam	2	0.11
	Provincial Total	1862	100.00
	AverageRegency/City	81	

Source: BPS Aceh 2015

Based on table 2, the largest number of small business enterprises in Aceh Province is in Pidie as many as 416 small business enterprises, followed by Pidie Jaya as many as 303 units or as large as 16.27 percent and third place is achieved by Bireun regency which is as many as 255 units or 10.8 percent. The regency with the smallest number of small business enterprises is Simeulu Regency with a total of 8 units or 0.43 percent.

The number of small business enterprises in a regency is influenced by private investment conditions, pushed by entrepreneurial spirit of the people and the role of the government that supports the people's economic activities. The higherentrepreneurials spirit of the people, the higher the growth of micro and small businesses. This is seen in Pidie Regency and Pidie Jaya, generally people that are from Pidie (Pidie Regency and Pidie Jaya) are people that have a high entrepreneurial spirit. Strengthened by the opinion of SeloSumardjan in the book (IshakHasan made business of grassroots 2013) "many of the Pidie people are capable in trading (making business), and only a few that enjoy working as farmers, they wander individually not as a group".

3.3 Food and Beverage Small Business Enterprises in Regencies/Cities in Aceh Province

If observed from the distribution of food and beverage industry types, the industry that has the most interest by businessmen is the cake industry, followed by melinjo chips, banana chips, where the number of industries is greater than 10 units. This is illustrated in illustration 3.1 below.
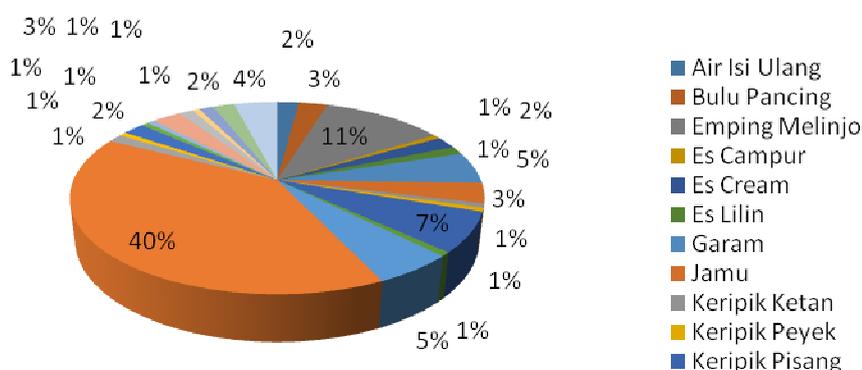

Figure 1 Distribution of Food and Beverage Industry Types in Aceh Province

Based on Figure 1, it is able to be seen that the business that is most distributed is the cake type business with a total as large as 40% from the total businesses reaching 149 business units. This is a sign that the business opportunity of cakes is the largest opportunity compared to other businesses in Aceh Province today.

3.4 Number of Labor Absorption in Small Business Enterprises in Aceh Province

The number of labor absorption is the number of labor that has already worked in the food and beverage industry sector. The number of labor absorption is much varied in a business, where the number of labor starts from 1 person in labor up to 15 people in labor, this is seen in table 3 below:

Table 3. The Number of Labor Absorptions in the Food and Beverage Industry in Aceh Province 2014

No	Number of Labor	Frequency	Percent (%)
1	1 Person	13	8.72
2	2 Persons	44	29.53
3	3 Persons	35	23.49
4	4 Persons	37	24.83
5	5 Persons	5	3.36
6	6 Persons	3	2.01
7	7 Persons	1	0.67
8	8 Persons	3	2.01
9	9 Persons	2	1.34
10	10 Persons	1	0.67
11	11 Persons	1	0.67
12	12 Persons	2	1.34
13	15 Persons	2	1.34
Total		**149**	**100**

Based on table 3 above it is able to be seen that the largest absorption of labor, which is 15 persons, only happen in 2 business units, while the labor absorption at most used by businesses are 2 persons in labor with a number of businesses reaching 44 business units and the least which are 7 persons, 10 persons, and 11 persons each 1 business unit. If seen from the absorption of labor in the food and beverage industry, illustrated in Figure 2.
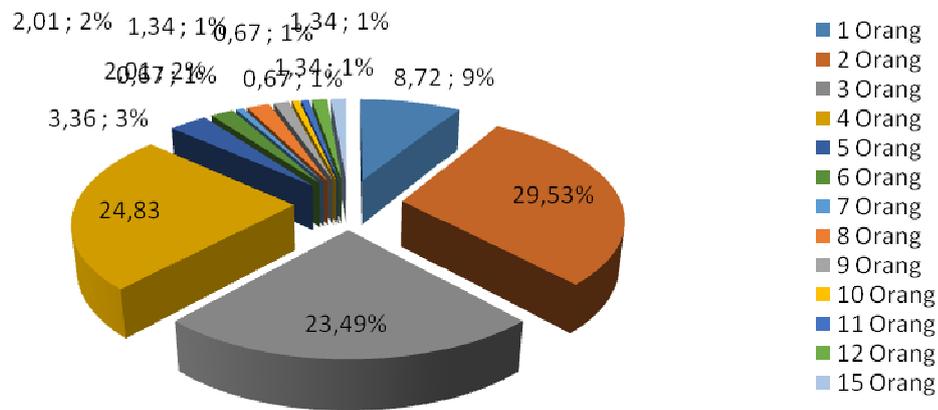

Figure 2 TheAbsorption of Labor in Food and Beverage Industries in Aceh Province 2011

If the observed from the number of labor absorption distribution, the absorption of labor with a total of 1-4 persons that are absorbed most where the largest are 2 persons with a total number of businesses reaching 29.53% followed by the number of 4 persons as large as 24.83% and the last with a number of 4 persons at 23.49%.
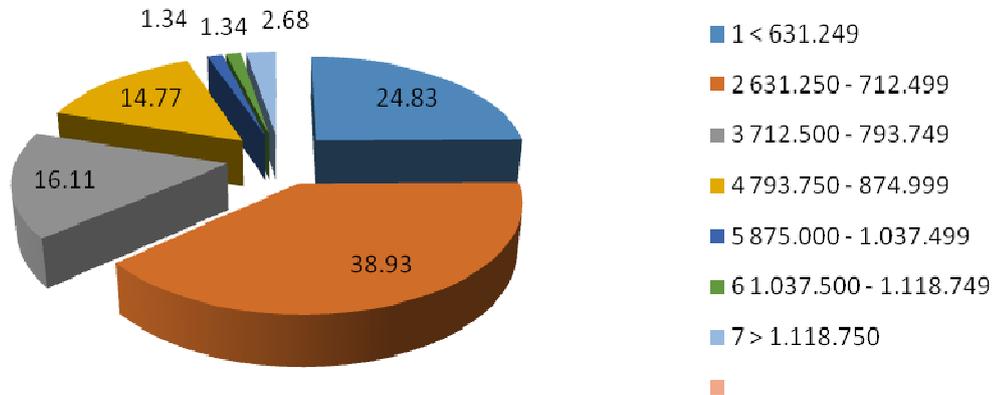
3.5 The Number of Labor Wages of Labor in Food and Beverage Small Business Enterprises in Regencies/Cities in Aceh Province

The amount of labor wages in a business is highly influenced by the number of labor used by a business. This is because if the labor that is used is in a large amount and the total production value produced is small, the mentioned business is unworthy of using labor in a large amount. This is able to be seen in the table.

Table 4. The Number of Labor Wages of Labor in the Food and Beverage Industry in Regencies/Cities in Aceh Province 2011

No.	Labor Wages	Frequency	Percent
1	< 631,249	37	24.83
2	631,250 – 712,499	58	38.93
3	712,500 – 793,749	24	16.11
4	793,750 – 874,999	22	14.77
5	875,000 – 1,037,499	2	1.34
6	1,037,500 – 1,118,749	2	1.34
7	> 1,118,750	4	2.68
Total		**149**	**100**

Based on table 4 above it is able to be seen the amount of wage that are issued by businessmen for paying labor wages where the highest wage number is Rp.1,200,000. There are only 4 businesses that give wages as large as Rp.1,118,749 per month while the most is Rp.712,499 per month with the number of businesses reaching 58 units.

If seen from the curve below, the largest portion which is as large as 38.93 percent is in the wage level of Rp.631,250 – 712,499 per month. A clearer explanation can be seen in Figure 3.

Figure 3 Number of Labor Wages of Labor in the Food and Beverage Industry in Aceh Province 2011

Based on Figure 3, it shows that the spread of distribution in the accepted wages that starts from the wage of Rp.875,000 - > 1,118,750 only 6 business units, while a wage of less than Rp.875,000 per month reaches 143 business units.

3.6 Business Capital in Food and Beverage Small Business Enterprises in Regencies/Cities in Aceh Province

Business capital is an important component in a business, where with a large capital businessmen are able to spend according to business needs, this is influenced by the type of business that will be built, because of that, the larger the business, the capital that is used is also larger. This is seen in table 4.4 about the condition of business capital usage

Table 5 Business Capital in the Food and Beverage Industry Aceh Province 2014

No	Business Capital	Frequency	Percent (%)
1	< 26,418,749	136	91.28
2	26,418,750 – 51,787,499	4	2.68
3	51,787,500 – 77,156,249	3	2.01
4	77,156,250 – 127,893,749	1	0.67
5	127,893,750 – 153,262,499	2	1.34
6	153,262,500 – 178,631,249	1	0.67
7	> 178,631,250	2	1.34
Total		**149**	**100**

Based on Table 5 shows that the number of capital that is most used by businessmen for opening a food and beverage business which is <Rp.26,418, 749 as many as 136 business units, while the rest are Rp.26,418,750 – Rp.178,631,250 as many as 13 business units. For observing the distribution of the mentioned business capital, it is able to be seen in Figure 4.
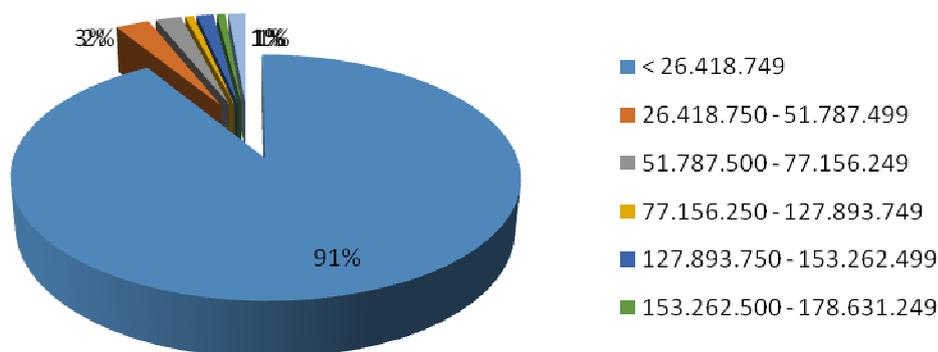

Figure 4 Business Capital in the Food and Beverage Industry Aceh Province 2011

Based on Figure 4, it shows that the total distribution other than the 91% of business uses a business capital as large as < Rp.26,418,749, the rest which is as large as 9 percent Rp.26,418,750 – Rp.178,631,250.

3.7 The Production Value in the Food and Beverage Small Business Enterprises in Aceh Province

The production values that were produced from food and beverage enterprises were the results of product sales in a 1 year period. As for this production value shows that products produced by the food and beverage industry are responded well by consumers so it will influence the amount of production value in an industry. If seen from the production levels in the food and beverage industry, it is able to be grouped to 6 levels of production values as seen in Table 6 below.

Table 6 Production Value Levels in the Food and Beverage Industry Aceh Province 2014

No	Production Values	Frequency	Percent
1	< 14,693,624	133	89.26
2	14,693,625 – 28,137,249	5	3.36
3	28,137,250 – 41,580,874	2	1.34
4	41,580,875 – 55,024,499	6	4.03
5	55,024,500 – 68,468,124	2	1.34
6	> 68,468,125	1	0.67
Total		**149**	**100**

Based on Table 6 shows that the most frequent business production value level is < Rp.14,693,624 per year as many as 133 business units and the rest   Rp.14,693,625 – Rp.68,468,125 which is as many as 16 business units. Meanwhile if seen in a business production is value level distribution point, such as seen in Figure 5.
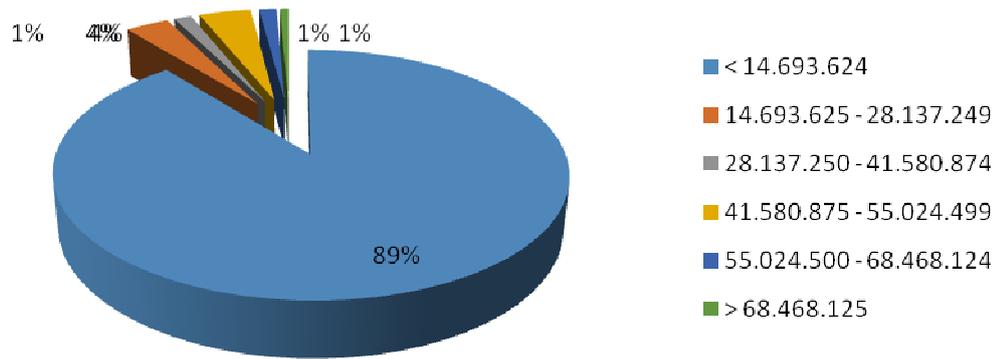
Figure 5 Production Values in the Food and Beverage Industry in Aceh Province Year 2014

Based on Figure 5, it shows that the largest distribution of production values which is < Rp.14,693,624 per year as large as 89% and the rest as large as 11% which starts from Rp.14,693,625– Rp.68,468,125 per year.

3.8 Data Analysis Results
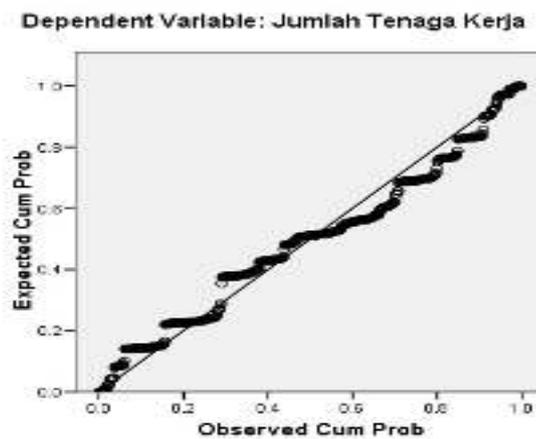
a. Normality Test

Figure 6 Scatter Plot Normality Test

Based on the result of the Normality test analysis, it is seen that data distribution approaches the diagonal line, so it is able to be declared that this research's data shows normality.

b. Multicollinearity Test

Table 7. Results of Multicollinearity Test Analysis

Independent Variable	Tolerance	VIF	Remarks
Wage Level	0.837	1.194	Non Multicollinearity
Production Value	0.782	1.279	Non Multicollinearity
Business Capital	0.867	1.154	Non Multicollinearity

Source : Processed data (archives)

From the count above we are able to know that the VIF value and tolerance are as the following:

1. The Level of Labor Wage Variable has a VIF value as large as 1.194 and tolerance as large as 0.837.
2. The Production Value Variable has the values VIF 1.279 and tolerance as large as 0.782.
3. The Business Capital Variable has a VIF value as large as 1.154 and tolerance as large as 0.867.

From the present determinations which if VIP < 10 and tolerance >0.10, a multicollinearity symptom does not happen and values obtained from the count are in accordance with determined VIP values and tolerance, so it is able to be summarized that the mentioned regression mode does not show the presence of multicollinearity symptoms,

c. Heterocedastity Test

Table 8. Results of Multiconiarity Data Test

Model		Unstandardized Coefficients		T	Sig.
		B	Std. Error	Partial	
1	(Constant)	-.774	1.791	-.432	.666
2	Labor Wage Level	.105	.143	.733	.465
3	Production Value	-.015	.026	-.563	.574
4	Business Capital	-.005	.020	-.250	.803

From the output above is is able to be known that the variables labor wage level, labor production value and business capital do not have heterocedastity symptoms because Sig,>0.05

d. T Test

Table 9. Regression Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4.758	2.925		-1.626	.106
	Labor wages	.150	.233	.051	.643	.521
	Labor Produktivity	.224	.043	.431	5.217	.000
	Capital	.021	.033	.052	.659	.511

Dependent Variable : The Number of Labor

For observing how far the influences of wage level, production value and business capital to the absorption of labor with the final estimator count as the following:

LnLD= -4.758 + 0.150 (Ln W) + 0.224 (LnQ) + 0.021 (Ln R)

From the model above there is one variable that significantly influences dependent variables partially. The mentioned variable is Production Value. While the two other independent variables that are not significant influences dependent variables partially which are, X1 (wage levels) and X2 (business capital).

LnLD = Dependent variable which the value will be predicted by independent variables. In this research that will become the dependent variable is Labor Absorption

C = (Constant) valued at -4.758 which means when LnW, LnQ, and LnR =0 the Unemployment Level increases as large as 4.758 percent that is caused by workforce growth.

B2 = The Ln Q variable which the probability is as large as 0.000 < 0.05 which means the Production Value variable partially and significantly influences labor absorption. The value of the Ln Q coefficient as large as 0.224 means that when there is an addition of production values as large as 1 percent , this will increase the income of fishermen as large as 0.224 percent.

e. F Test

Tabel 10. ANNOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.428	3	2.476	14.046	.000[a]
	Residual	25.560	145	.176		
	Total	32.988	148			

a. Predictors: (Constant), Capital, Labor wages, Labor Produktivity
b. Dependent Variable: The Number of Labor

Based on the results of the F test (simultaneously) an F_{count} of 14.046 is obtained while the F_{table} in a significance level of $\vartheta = 5\%$ is as large as 2.67. This shoes that $F_{count} > F_{table}$ with a significance level of 0.0001. So it is able to be declared that wage (X_1), production values (X_2) and labor capital (X_3) simultaneously influence absorption to labor absorption (Y) in small business enterprises for the food and beverages sector in Aceh Province.

f. R^2 Test

Table 11. Correlation Coefficient

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.475[a]	.225	.209	.41985

a. Predictors: (Constant), Capital, Labor wages, Labor Produktivity
b. Dependent Variable: The Number of Labor

Based on analysis, results a coefficient determination (R^2) as large as 0.225 is obtained. This means that changes as large as 22.5% in dependent variables (labor absorption) is able to be explained by changes in the wage level, production value, and business capital factors. While the rest which is as large as 77.5% is able to be explained by other factors outside of the research variables such as the above explanation.

Discussion

The Influence of Production Values to Labor Absorption

The amount of the regression coefficient of the Production Value is 0.224 has a meaning that if this variable increases 1%, labor absorption will increase as much as 0.224% with the assumption

that other variables are constant. So the relation of production value with labor absorption is positive and influences significantly to small business enterprises for the food and beverage sector in Aceh Province.

This significant influence contains a further understanding that production values in small business enterprises in this food and beverage subsector influences the small businessmen party to determine the number of labor that are used in production. While the positive relation in this regression result shows that if production values raise, the number of labor, neither labor that have skill nor less skilled labor that are used in the production process will also increase,because an increase in production values reflect an increase in total production with the assumption that the price of products are still fixed. In accordance with the theory that for increasing output an increase in the input that is used is needed, in this context, it is labor. So the higher the labor productivity, the higher the total of goods produced with the assumption that other production factors are fixed, the production value will also increase.

In accordance with the research of Adrianto (2013) that implemented a research about factors that influence labor absorption in small business enterprises in Mojokerto Regency shows that production value is a factor that influences labor absorption in small businesses.

The Influence of Labor Wage Levels to Labor Absorption

Results of research to the labor wage variable (X_1) a t_{count} value as large as 0.643 is obtained, while the t_{table} value is as large as 1.976. This result shows that $t_{count} < t_{table}$ with a significance level of 0.521. Therefore statistical count results show that partially the labor wage variable (X_1) does not influence significantly to the absorption of labor in the food and beverage industry.

This insignificant relation is causes by the partial labor in the food and beverage sector in Aceh Province are household businesses, generally the labor consists of family elements that will drive the industry in the food and beverage business, other than that, food and beverage industry businessmen in Aceh pay wages based on the production and productivity of labor, the more productive, the greater their income. This is the cause why wages are insignificant to labor absorption in Aceh. Then small business enterprises in the food and beverage industry in Aceh Province if they convert into manufacturing industries, there will be an influence between labor absorption and wage levels.

The Influence of Business Capital to Labor Absorption

The amount of regression coefficient of business capital is 0.021 with a significance level of 0.511 or greater than 0.05 which means that the value does not have a significance between the addition of capital with labor absorption in food and beverage small business enterprises in Aceh Province.

Showing that small business enterprises in the food and beverage subsector in Aceh Province, labor absorption is not influenced by capital addition, because capital addition is more in the effort of total production increase through the addition of raw materials, machine and technology usage compared with the usage of labor, for changing the ways of production to a more modern direction for increasing total production and labor productivity.

SUMMARY

Based on analysis results of factors that influence labor absorption in the small business enterprise sector in the food and beverage industry in Aceh Province we are able to summarize that:

1. Indonesian labor productivity competitiveness is in sixth place. The cause is because of the low levels of education and training, the average wage is also very low.

2. Analysis results above show that production values influence labor absorption in small business enterprises subsector food and beverages in Aceh Province, yet production values influence positively to labor absorption in small business enterprises for food and beverages in Aceh Province. However the level of wage and capital does not influence significantly to labor absorption in small business enterprises for food and beverages in Aceh Province.

3. For increasing the absorption of labor in Aceh Province, what has to be done is to increase business production values, because of that a growth it the food and beverage industry is needed to increase labor absorption through investment increases, cheap credit awarding in small business enterprises and the expansion of the production market so production values are able to increase.

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