

# Modeling the MSME Sector on Labor Absorption in Aceh

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# Introduction



**It is no longer a debate that unemployment has always been a problem in developing countries such as Indonesia that must be addressed immediately. This occurs because of the imbalance between employment and the number of workers needed, lack of skills and education, and technological advances.**



**MSMEs have been proven by the system of providing employment and added value. MSMEs is able to strengthen community economic businesses by absorbing more labor, thereby reducing unemployment. The number of business units is one of the factors that determine labor absorption in MSMEs.**



# Introduction



**The increase in the number of business units and the need for labor absorption in the MSME sector will have an impact on the added value of this sector. The rise in the added value of goods in the MSME sector shows that the creation of new business opportunities has succeeded in increasing people's incomes on a regional and individual level.**

**The amount of sales turnover is another factor that also influences labor absorption. Turnover is the total revenue generated by the sale of goods over a specific time period. Sales turnover is an essential measure of business performance because turnover helps show how effective a business is in generating sales and revenue. If the turnover value is higher, it should provide higher profits so that business unit actors can develop their business even more significantly so that it is expected to absorb more labor**

**This study aimed to test and analyze the effect of the number of business units and turnover on employment in the MSME sector in Aceh.**



# Literature Review



## Number of Business

The number of business is unit is a location where manufacturing activities take place and products or services are traded for profit

## Turnover

Turnover is the total revenue generated by the sale of goods over a specific time period. Turnover is also known as gross income because it does not include capital expenses such as production costs, employee wages, and other operational expenses (Wahyuni et al., 2020).

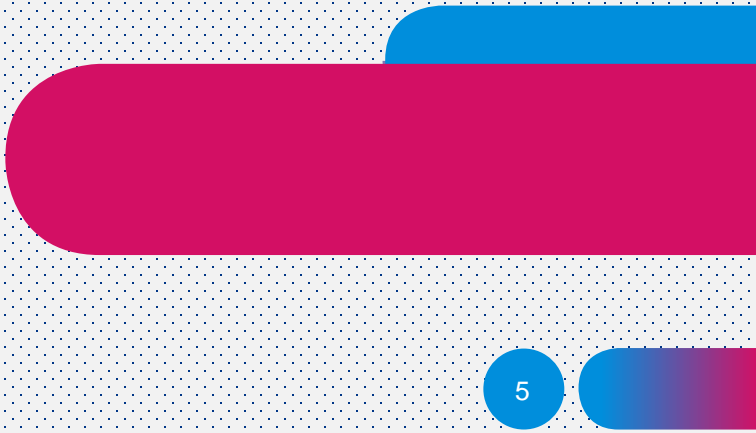
## Labor Absorption

Labor absorption is a certain quantity of labor used by a particular sector or business unit

# Literature Review




**The hypothesis :**

- 1. The number of business units in the MSME sector affects the labor absorption in Aceh Province**
  - 2. Turnover in the MSME sector affects the labor absorptions in Aceh Province**
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# Research Methods



- 1. This research is included in explanatory research used secondary from Aceh Cooperatives and SMEs Office**
  - 2. The data in the form of panel data where business unit data, turnover, and employment 23 regencies/cities from 2018-2020 period**
  - 3. The data analysis used is Panel Data Regression**
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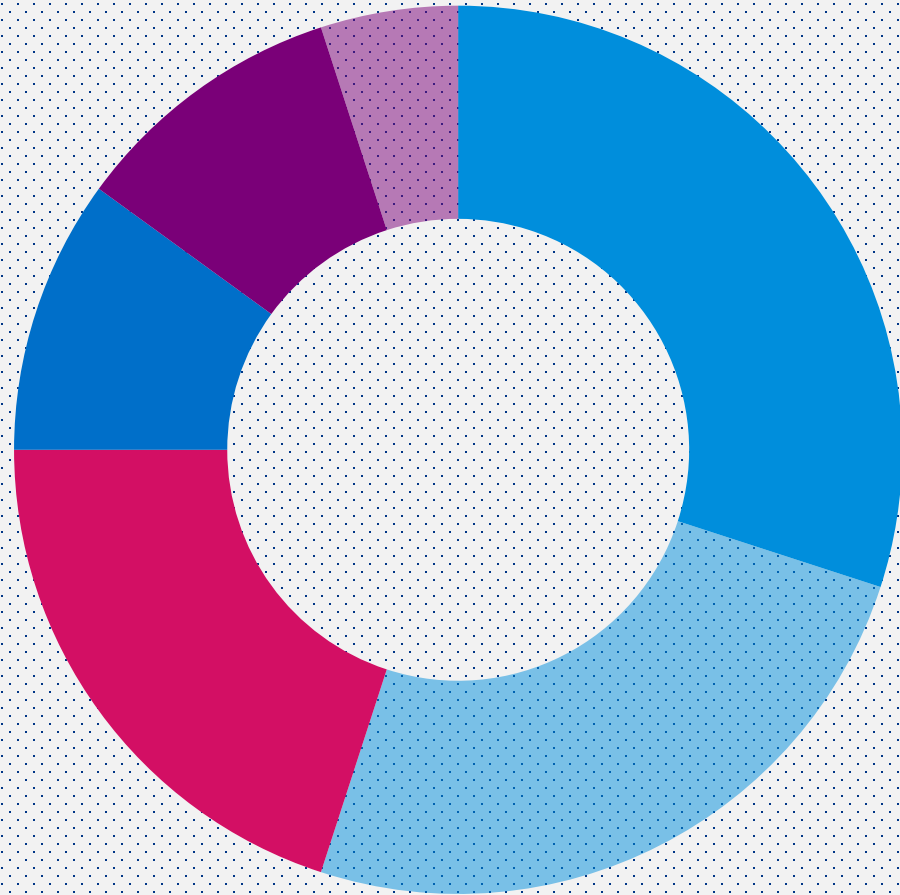
## Finding

**The variable number of business units in the MSME sector has a positive and significant effect on employment in Aceh Province.**

**Such a situation is because MSMEs are labor-intensive businesses where a business requires much labor as a factor of production.**

**The turnover variable in the MSME sector has a positive and significant effect on the absorption of the labor force in Aceh Province.**

**The increase in MSME turnover tends to increase employment in the MSME sector, where MSMEs are businesses that use much labor in their production activities. The increase in turnover reflects the high demand and sales for the product.**

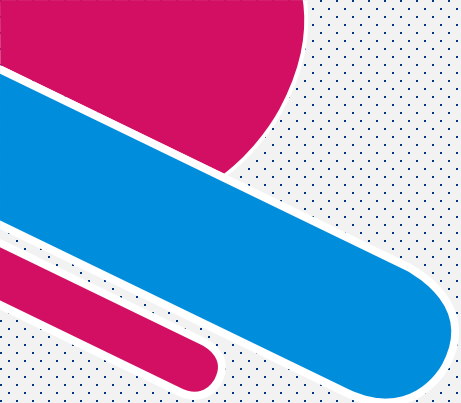


## Conclusion

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1. The MSME sector is a sector that requires much labor in its production activities. Therefore the number of MSME units greatly influences the absorption of labor in Aceh.
2. The turnover obtained by MSMEs indicates the development of MSME production. One of the ways to increase production can be achieved by increasing the workforce so that turnover has an effect on employment absorption in Aceh.





Thank You

