## **CHAPTER V**

## CONCLUSIONS AND RECOMMENDATIONS

## 5.1. Conclusions

Based on the result of the regression that the writer had done related to the effect of four indicators in the industry of rubber; the number of producers, rubber production each province, provincial minimum wage, and area of plantation on the labor absorption, it can be summarized up as follows:

1. This research used panel data regression in order to get the correct information related to the behavior of the variables included in this research. The best model used in this research was random effect model. Based on this model, the determinant coefficient ( $\mathbb{R}^2$ ) showed that there were changes in labor absorption around 60.55% which would be explained by the independent variables; rubber production, the size of rubber plantation, provincial minimum wage, and the number of company. Moreover, for the f – statistic test, the result showed the probability of 0.000001 in which this was less than the value of  $\alpha$  (5% or 0.05). This result means that all of the independent variables in this research; rubber production, the size of rubber plantation, provincial minimum wage, and the number of the probability of 0.000001 in which this was less than the value of  $\alpha$  (5% or 0.05). This result means that all of the independent variables in this research; rubber production, the size of rubber plantation, provincial minimum wage, and the number of the probability plantation, provincial minimum wage, and the number of the plantation, provincial minimum wage, and the number of rubber plantation, provincial minimum wage, and the size of rubber plantation, provincial minimum wage, and the size of rubber plantation, provincial minimum wage, and the number of company had significant effect on labor absorption.

- 2. According to Table 4.3 that showed the random effect regression result, X1 variable (rubber production) had no significant effect on labor absorption in all ten provinces of this research; North Sumatera, Riau, South Sumatera, Lampung, West Kalimantan, Central Kalimantan, South Kalimantan, West Java, Aceh, and East Java. The coefficient for X1 variable was -0.188267 which means when the number of producers or companies increased by 1%, it would decrease the labor absorption by 0.18%.
- 3. X2 variable or the size of rubber plantation had no significant effect on labor absorption in the research provinces (the probability is 0.2943, it is greater than the value of  $\alpha = 5\%$ ). The coefficient of this variable was 0.348688 which means when the size of rubber plantation increased by 1%, it would increase the labor absorption by 0.34%.
- 4. X3 variable or the provincial minimum wage had significant effect on labor absorption in the research provinces (the probability is 0.0150, it is less than the value of  $\alpha = 5\%$ ). The coefficient of this variable was 0.690604 which means when the provincial minimum wage increased for 1%, the labor absorption would increase around 0.69%.
- 5. X4 variable or the number of company had significant effect on labor absorption (the probability is 0.0000, it is less than the

value of  $\alpha = 5\%$ ). Based on Table 4.3, the coefficient of this variable was 0.531845 where it referred to the increasing of the number of company for 1% would cause 0.53% increase of labor absorption.

## 5.2. Recommendations

Based on the analysis and conclusion above, the writer can present several recommendations that can be considered by related parties, they are:

- 1. Labor absorption can be affected significantly by many indicators in the rubber industry for instance the provincial minimum wage and the number of rubber company in each province. Moreover, all of the changes that they made are based on the situation in the industry itself such as the environment of employment or labor market. A healthy labor market will lead to a decrease of labor absorption especially in the rubber industry. It is suggested that the government can create a healthy labor market in which they offer skillful yet competitive worker inside of it, so it will not only good for the supply and demand of labor market but also for the producers' productivity in the industry.
- 2. The government needs to give more attention to the people who work in the labor industry since the price of rubber is not always stable all the time. When the price gets low for

instance, it will be a motivation for the companies to cut off their worker because they will spend more than they receive in the industry. If the company starts to cut off people who work for them, then the number of unemployment will increase and it will not be good for the country's economy.

3. Since rubber industry involves many farmers, it will be a positive thing for the government to give more attention to their welfare since the price of the rubber will affect so much on them. The government may give more subsidies for them or keep circulating their supply when the supply of labor is low.