

CHAPTER I

Introduction

1.1. Background

Indonesia is a developing nation characterized by its vast territory and abundant natural resources. Its vast expanse and rich natural resources, stretching from Sabang to Merauke, offer significant potential for Indonesia to develop further and excel compared to other nations. The potential of both living and non-living natural resources represents a valuable opportunity for Indonesia to continue exploring and driving future national economic growth.

The abundant natural resources in Indonesia need to be balanced with high-quality human resources, in order to manage and develop economic potential optimally to support the ever-increasing national economic development, however, Indonesia is still faced with the fact that the quality of human resources is still limited so that most of the potential superior natural resources are managed by foreign parties.

This low quality of human resources is also at the root of a labor-related problem, namely the high unemployment rate in Indonesia. According to Arsyad, the high population growth rate and low effectiveness of human resource development will not be able to generate job opportunities commensurate with the growth of the workforce, potentially increasing the unemployment rate (Ibrahim, 2021).

Problems regarding employment and unemployment are still a focus of the national economic development plan.

Economic development is a process of improving conditions, with the hope of increasing income, creating jobs, and improving community welfare (Indriaty, 2020). Fundamentally, economic development involves the interaction of various variables, including natural resources, human resources, capital, technology, and other factors. To achieve these goals, developing countries, including Indonesia, face major challenges such as unemployment, unequal income distribution, and poverty.

Regional economic development plays a strategic role in promoting equitable and sustainable national development. Each region has different potential, economic structure, and level of development, therefore, a region-based development approach is crucial to ensure that policies are implemented in accordance with local characteristics and needs. Through regional economic development, national development implementation is highly dependent on the contribution of local governments in managing and optimizing the various resources available to support development activities (Ibrahim, 2021). Regional economic development is measured by its economic growth.

The main indicator in assessing economic growth is the level of income generated by a region. The amount of this income reflects the performance of overall economic activity. A region's economic growth can be measured by looking at the growth rate of Gross Regional Domestic Product (GRDP) at constant prices in a region. Gross Regional Domestic Product (GRDP) is defined as the sum of the added value generated by all business units in a region, or the sum of the total value of final goods and services produced by all economic units in a region (BPS, 2021). Regional economic progress can be assessed by the magnitude of the economic

growth rate achieved, which is reflected in the increase in the value of Regional Domestic Product.

Gross Domestic Product (GRDP) as the main indicator of regional economic activity (Aswanto Aswanto, 2021).

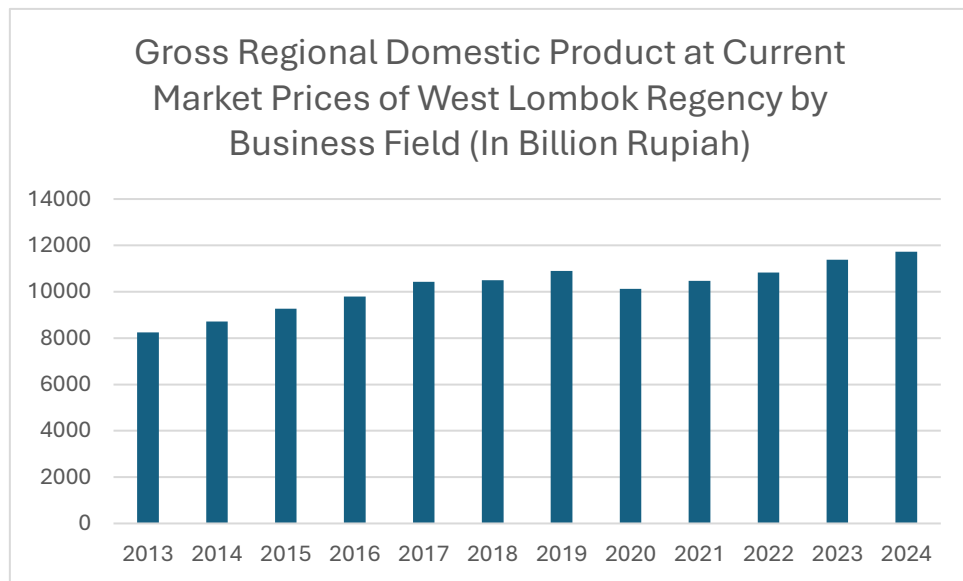
According to the Central Statistics Agency (BPS), Gross Regional Domestic Product (GRDP) is the total added value generated from all production activities of goods and services within a region during a specific period. GRDP reflects the level of economic activity and the performance of regional economic development. The value of a region's GRDP is not determined solely by one type of economic activity, but rather by the contributions of various sectors that shape the region's economic structure.

In the BPS classification, GRDP is compiled based on business sectors, reflecting the types of economic activities carried out by business actors in the region. All economic activities are grouped into 17 main sectors, ranging from agriculture and processing industry to trade and services. This sectoral division allows for analysis of which sectors are the main drivers of the regional economy and which sectors still have potential for development to support economic growth.

GRDP of Lombok Regency

West Lombok Regency 2013-2024. GRDP of West Lombok Regency 2013-2024

Figure 1. 1GRDP of West Lombok Regency 2013-2024



Source: BPS data, processed

The chart above shows that West Lombok Regency's GRDP has increased year over year. This indicates that the economy of West Lombok Regency is improving, despite a decline and weakening in 2020.

Based on the chart diagram above, it shows that the GRDP value of West Lombok Regency in 2013 was recorded at 8,238.7 and continued to increase until it reached 11,723.12 in 2024. This increase reflects the growth of economic activity in the region. In 2015 it reached 9,264.36. This value experienced an increase in 2016 to 9,792.22. Then it increased again in 2017 to 10,432.31. Furthermore, in 2018 it increased again to 10,491.75 and continued to grow in 2019 by 10,894.64, however, in 2020 there was a significant decline where the value fell to 10,128.30. This decline reflects a slowdown in regional economic activity influenced by external conditions, especially the impact of COVID19.

In 2021, West Lombok Regency's GRDP again showed signs of recovery, increasing to 10,472.21. This positive trend continued in 2022, when it rose to

10,834.22, then rose again in 2023 to 11,379.48. By 2024, West Lombok Regency's GRDP continued to increase, reaching 11,723.12, indicating that the regional economy was on a path to recovery and more stable growth.

There are two economic sectors in economic growth, grouped into basic and non-basic sectors (Febriyanti & Prasaja, 2023). One key element in regional economic development is the ability of local governments to identify basic and non-basic sectors. Sectors with relative advantages generally have greater opportunities for sustainable development. The development of these superior sectors is expected to drive growth in other sectors, thereby increasing economic activity and expanding employment in the region (Tarigan, 2005).

West Lombok Regency plays a strategic role as an economic buffer zone for West Nusa Tenggara Province. This is reflected in the Regency's economic structure, which is dominated by supporting sectors such as manufacturing, construction, transportation, and accommodation and services. The existence of these sectors demonstrates the function of the region.

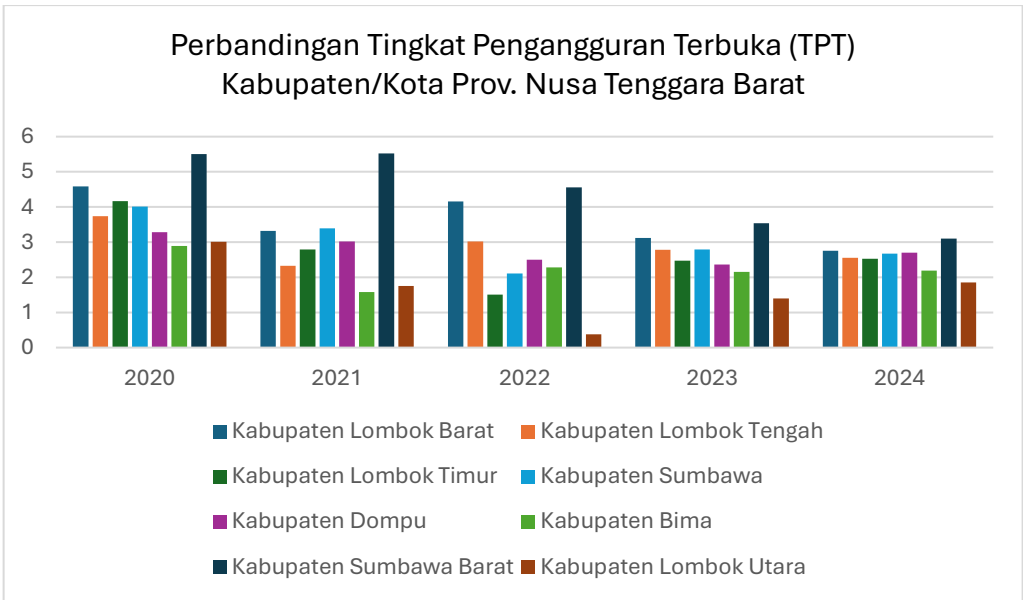
West Lombok as a Hinterland region supports the economic activities of West Nusa Tenggara Province and is able to absorb a large number of local workers.

The workforce is a key asset in regional development because it is a dominant factor in the production process and in the utilization of development outcomes (Ibrahim, 2021). The utilization of human resources in developing regional potential can be realized through labor absorption mechanisms. The level of labor absorption is closely related to the availability of job opportunities, which reflects the number of individuals who can be absorbed in various economic sectors as a result of the increasing demand for goods and services. Leading sectors play a strategic role as

the main determinant of job creation in a region, while also making a significant contribution to strengthening and growing the regional economy.

According to the Manpower Law Number 13 of 2003 concerning Manpower, it is stated that the workforce is every person who is able to do work to produce goods and/or services either to meet their own needs or for the community. This workforce includes those who are already working and those who are actively looking for work. When someone is of working age (≥ 15 years) and wants to work but has not found a job, then he or she is considered unemployed. The Open Unemployment Rate (TPT) itself can be interpreted as the ratio between the number of unemployed and the total workforce working in a certain period expressed as a percentage.(Poetra, 2025). The following is a graph of the Open Unemployment Rate (TPT) over the past few years based on BPS data:

Figure 1. 2 Open Unemployment Rate (TPT) 2020-2024



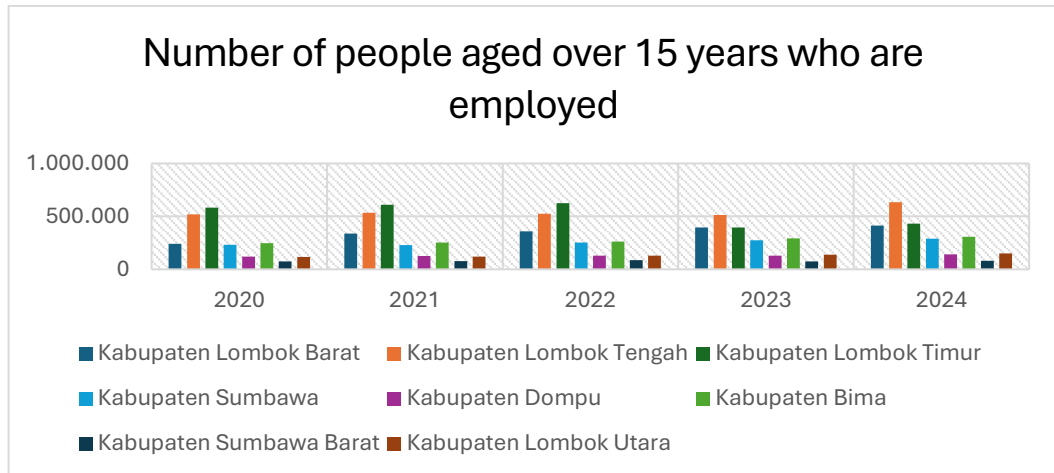
Source: BPS data, processed

In 2020, West Lombok Regency ranked second out of eight regencies with an Open Unemployment Rate (TPT) of 4.58 percent. This position was just below

West Sumbawa Regency, which ranked first. This condition reflects that during the early stages of the COVID-19 pandemic, labor market pressure in West Lombok was quite significant compared to most other regencies. In 2021, the Open Unemployment Rate (TPT) decreased to 3.32 percent, placing West Lombok in third place, relatively among the top three regencies with the highest Open Unemployment Rate (TPT) in West Nusa Tenggara Province.

In 2022, the Open Unemployment Rate (TPT) rose again to 4.16 percent, with West Lombok Regency ranked second highest. This reflects the labor market recovery's lack of stability in labor absorption. In 2023, the Open Unemployment Rate (TPT) decreased to 3.12 percent, with West Lombok Regency remaining the second-highest. This continued into 2024, with an Open Unemployment Rate of 2.75 percent, remaining second among other regencies.

The number of employed people is a key indicator in assessing labor market dynamics, as it indicates the extent to which economic activity is able to productively absorb the workforce. The following graph shows the number of employed people aged 15 and over in West Nusa Tenggara (NTB) Province.



Source: BPS data, processed

Based on data on the number of employed residents aged 15 and over in eight districts in West Nusa Tenggara Province, a general upward trend in the number of employed workers has been observed during the 2020-2024 period, although fluctuations have occurred in some areas. The graph shows the development of the employed population in eight districts in West Nusa Tenggara Province during the 2020-2024 period. Overall, fluctuations have been observed in some districts, particularly in the post-pandemic period.

East Lombok and Central Lombok Regencies consistently rank among the highest in terms of employed population. In 2022, East Lombok Regency reached its highest figure at 623,662, while Central Lombok Regency saw a significant increase, reaching 634,967 in 2024. This indicates that both regencies have a relatively large labor absorption capacity compared to other regencies.

West Lombok Regency is in the upper-middle class. The working population increased from 242,531 in 2020 to 414,343 in 2024. This trend indicates recovery and increased employment after 2020. However, compared to East Lombok and

Central Lombok, West Lombok's employment rate remains relatively low. Meanwhile, Sumbawa and Bima Regencies show a fairly steady annual increase. North Lombok Regency also experienced a gradual increase, from 117,484 in 2020 to 149,827 in 2024, although in absolute terms, it remains below other large regencies.

West Sumbawa and Dompu Regencies are among those with relatively low employed populations compared to other regencies. Despite this, both have shown a gradual upward trend year after year. West Lombok Regency ranks third out of eight other regencies. This quantitative position indicates that West Lombok Regency's labor absorption capacity is relatively high compared to most other regencies in West Nusa Tenggara Province.

Although West Lombok Regency ranks third in terms of employed population among regencies in West Nusa Tenggara Province, its high average Open Unemployment Rate (TPT), which ranks second highest, indicates an imbalance in the regional labor market structure. This indicates that the increased economic activity and sectoral growth have not been fully matched by the creation of job opportunities capable of optimally absorbing the workforce.

This phenomenon reflects a potential mismatch between the structure of economic growth and the structure of the workforce. This means that sectors experiencing growth are not necessarily those with high labor absorption capacity. If this situation persists, economic growth has the potential to be less inclusive and not fully impact unemployment reduction.

Based on the description above, the researcher is interested in conducting research with the title "Analysis of the Relationship between Leading Economic Sectors and Labor Absorption in West Lombok Regency".

1.2. Problem Formulation

1. What sectors are the Basic Sectors in West Lombok Regency in 2013 - 2024?
2. How is the Relationship between Basic Sector GRDP and Labor Absorption in West Lombok Regency 2013-2024?

1.3. Research Objectives

1. Identifying sectors included in the basic sector GRDP in West Lombok Regency in the 2013-2024 period
2. To determine the relationship between the Basic Sector GRDP and labor absorption in West Lombok Regency 2013-2024

1.4. Scope

The scope of this study aims to analyze the impact of the basic sector GRDP on labor absorption in West Lombok Regency, using secondary data obtained from the Central Statistics Agency. In this study, the basic sector GRDP acts as an independent variable, while labor absorption is the dependent variable used to determine the extent of the influence of the basic sector GRDP on labor absorption in West Lombok Regency. Data analysis was conducted using time series data analysis methods.

1.5. Benefits of Research

Through this research, it is hoped that the results will provide beneficial contributions to various parties. The expected benefits of this research are as follows:

1. Theoretical Benefits

a. For Writers

This research is expected to enrich the insight and deepen the author's understanding regarding the relationship and influence of the Gross Regional Domestic Product (GRDP) of the Basic Sector on labor absorption.

b. For Universities

The results of this research are expected to be a reference material from academic information sources for students and other parties who are interested in studying similar topics in the future.

2. Practical Benefits

a. For Readers

This research is expected to provide useful information for various groups and add to the relevant reference treasury as reference material related to the GRDP of the base sector and labor absorption.