

Tourism Sector's Contribution To Absorbing Labor In Indonesia

Original Article

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Abstract

The tourism sector plays a significant role in the Indonesian economy, both in terms of added value, foreign exchange earnings, and as a job creator. The panel data linear regression method is used to determine the effect of the tourism sector on labor absorption using panel data for 10 years of time series data and 41 cross-sectional data from districts/cities in three provinces in Indonesia. This quantitative research method using secondary data shows that cultural, ethnic, and linguistic diversity is a great potential in tourism development, while the creative economy sector has the potential to be a locomotive for increasing labor absorption. However, on the other hand, tourism is also one of the sectors most vulnerable to the COVID-19 pandemic.

Keywords: Tourism Sector, Labor Absorption, Panel Data

1. Introduction

The tourism sector has become an important part of the parameters driving the Indonesian economy. In addition to generating foreign exchange for the country, the tourism and creative economy sectors also play a role as sectors that are able to absorb large amounts of labor. Indonesia's beautiful landscape, consisting of rows of islands and cultural, ethnic, and linguistic diversity, has great potential in tourism development, as well as being a special attraction for tourists to visit Indonesia. The success of tourism and creative economy management in Indonesia is influenced by several supporting factors, both those related to natural resources, human resources, and the effectiveness of government policies and programs.

Tourism is one of the strategic sectors that play an important role and contribute to the development of the national and regional economy. The increasing economic progress and prosperity have made tourism a basic part of human needs and lifestyle. It has even moved millions of people to get to know nature and culture in other parts of the world. The movement of millions of people then moves the interconnected economic chain and becomes a service industry that makes an important contribution to the world economy, the economy of other countries, to increases economic prosperity at the local community level, especially the community in tourism destinations.

In 2021, the Tourism Goods Trade sub-sector was able to absorb a workforce of 8.87 million people. Meanwhile, the Food and Beverage Service Provision and Land Transportation Service Provision for Passengers were able to absorb a workforce of 8.45 million and 2.05 million people, respectively. The growth of the tourism sub-sector workforce in the 2018-2021 period, the Tourism Goods Trade and Food and Beverage Service Provision sub-sector



experienced positive growth. The Tourism Goods Trade sub-sector experienced an average growth of 3.19 percent, and the Food and Beverage Service Provision sub-sector grew by 7.12 percent per year. Meanwhile, the Land Transportation Service Provision sub-sector for Passengers experienced negative growth of -0.70 percent per year.

The number of tourism workers tends to increase, with an average growth of 4.07 percent per year. The tourism workforce in 2018 was recorded at 19.46 million people, slowly increasing to reach 21.26 million people in 2021. During 2018-2022, the number of tourism workers tended to increase, with an average growth of 4.15 percent per year. In 2022, the share of tourism workers reached 16.92 percent, meaning that out of 100 workers, around 17 people work in the tourism sector. Of the twelve tourism sub-sectors, the tourism goods trade sub-sector absorbs the most workers, at 42.31 percent. Meanwhile, the sub-sector providing rail transportation services for passengers is the sub-sector that absorbs the fewest workers, at 0.19 percent. The tourism workforce is mostly aged 41-59 years (36.76 percent), followed by those aged 25-40 years (35.39 percent), 15-24 years (around 16.45 percent), and 60 years and above (11.40 percent).

The tourism workforce mostly comes from the millennial generation (35.37 percent). Meanwhile, according to education level, the tourism workforce mostly has low education (junior high school and below) with a proportion of 51.81 percent, followed by those with secondary education (high school or equivalent) at 40.70 percent, and those with higher education (diploma and above) at 7.49 percent. The number of workers absorbed in the accommodation service business is quite large, reaching 350,702 people in 2022. This number has increased slightly compared to the number of workers in 2021, which reached 323,495 people. These data show that accommodation services provide quite large job opportunities.

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The tourism workforce mostly comes from the millennial generation (35.37 percent). Human resources play an important role in helping business owners deal with the complexity and ambiguity of entrepreneurial decisions. Entrepreneurs face decisions about assessing opportunities, entering a business, exploiting opportunities, and exiting a business. Often these decisions are made in extreme contexts characterized by high uncertainty, time pressure, and intense emotions (Shepherd et al, 2014). Budding tourism entrepreneurs need to gather tourism industry skills and knowledge before establishing a company (Kallmuenzer et al, 2021). Employees working in tourism can gain industry-related experience (Campbell et al, 2017). For example, the accumulation of knowledge of government and private agencies supporting tourism (Dahl & Sorenson, 2009, 2012). Knowledge about overcoming emotional labor dysregulation has the potential to support employees and, in turn, influence positive tourism experiences that can help the industry achieve business success and positive customer reviews. (Pabel et al., 2022)

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Job opportunities and employment follow the development of tourism; individual and community incomes are highly dependent on tourism, which can be seen when the Covid-19 pandemic hit Indonesia and occurred globally (Ladkin et al, 2023). Tourism has the potential to contribute, support, and provide solutions to achieving sustainability goals. Tourism plays an important but dual role in sustainable forest land management. When conducted responsibly and ethically, tourism has the potential to be a successful, sustainable, and resilient industry for countries that prioritize the well-being of their citizens. By conducting legitimate activities and focusing on sustainable practices, countries can reap the economic benefits of tourism while preserving their natural resources. The outbreak of the COVID-19 pandemic in 2020 has had a major impact on the tourism sector, with large variations across regions. Building a more resilient tourism ecosystem requires a deeper understanding of the factors that cause tourism demand to be lost. (Curtale et al., 2023; Elbaz et al., 2018)

2. Literature Review

2.1. Tourism as a Driver of the National Economy

The tourism sector is one of the main pillars of economic development that can create broad impacts, both directly and indirectly. Tourism not only contributes to the growth of Gross Domestic Product (GDP), but also becomes a source of foreign exchange and employment. According to the World Travel and Tourism Council (WTTC., 2020)The global tourism industry contributes more than 10% to world GDP and absorbs around 330 million workers globally. In Indonesia, the contribution of this sector to GDP reached 4.1% in 2019, and it absorbed around 13 million workers, or around 10.5% of the total national workforce. (Pariwisata & Kreatif, 2020).

2.2. Tourism and Labor Absorption Capacity

The labor-intensive nature of the tourism sector makes it very strategic in creating jobs, especially in areas with tourism potential but minimal large industries. According to research by Sinaga (2019), a 1% increase in the number of tourist visits can increase the absorption of labor in the tourism sector by 0.3%. Tourism also creates a multiplier effect on supporting sectors such as hotels, transportation, food and beverages, handicrafts, and tour guide services. In various tourist areas such as Bali, Yogyakarta, and Labuan Bajo, tourism has been

proven to be the largest contributor of employment for local communities (Nugroho & Purnomo, 2021).

2.3. The Role of Tourism in Empowering Local Economies

Tourism not only has an impact on macroeconomic growth, but also on strengthening the micro economy, especially through empowering MSMEs and local communities. The tourism village development program is a concrete example of tourism's contribution to community-based job creation. A study by Rachmawati et al., (2020) Shows that the development of tourism villages can increase family income and create new job opportunities, especially for women and youth in rural areas.

2.4. COVID-19 Pandemic and Its Impact on the Tourism Workforce

The COVID-19 pandemic has put great pressure on the tourism sector. Mobility restrictions, the closure of tourist destinations, and a drastic decline in the number of tourists have caused thousands of tourism industry players to lose their jobs. According to the BPS report (2021), there was a significant decline in the number of workers in the accommodation and food and beverage sector of up to 1.5 million people during the pandemic. The government responded to this condition by launching various recovery programs, such as retraining (reskilling), social assistance, and tourism promotion based on the CHSE (Cleanliness, Health, Safety, and Environment) protocol. (Kemenparekraf, 2022).

2.5. Strategy to Increase Labor Absorption in the Tourism Sector

To maximize tourism's contribution to employment, an integrated strategy is needed that includes improving infrastructure, human resource quality, and strengthening destination governance. According to the United Nations World Tourism Organization (UNWTO, 2022) Inclusive and sustainable tourism development is key to creating decent and equitable employment. Vocational education and training in tourism are important steps to increase the competitiveness of the Indonesian workforce in facing global competition.

3. Methods

This study uses a quantitative approach using secondary data, namely research that relies on statistical analysis to accept or reject the hypothesis. The research method, using a quantitative approach, establishes the relationship between the cause and effect of a situation. The sample consists of several observations in each of the many observation units. (Greene, 2018). The sampling technique used is probability sampling, which is a sampling method that provides an equal opportunity to be selected from each element of the population. (Cooper & Emory, 1996). Sampling in this way allows the results of the study to be generalized. Wooldridge, (2010) Stated that probability sampling allows us to separate the sampling assumptions from the assumptions made in the population model. Data collection using probability sampling techniques often makes sense for cross-section data, where at a certain point in time, units are randomly selected from the population. The sample in this study used data from regencies/cities in the provinces of West Java, the Special Region of Yogyakarta, and Bali, totaling 41 regencies/cities and time series data for 10 years. Thus, the panel data to be studied was obtained with a sample size of 410 observations.

The data used in this study are quantitative data, namely secondary data in the form of panel data. The panel data in this study were taken from annual reports that have been compiled and published by the Central Statistics Agency, the Ministry of Tourism and Creative Economy / Tourism and Creative Economy Agency in various editions and various other sources related to the research conducted.

Tourism is a variety of tourism activities and is supported by various facilities and services provided by the community, entrepreneurs, the Government, and the Regional Government. The indicator used is the rate of economic growth in the tourism sector. Data according to the Central Statistics Agency in percentage units per year for the period 2014 - 2023 Workforce is every person/population of working age (15 years and over) who can do work to produce goods and/or services either to meet their own needs or the needs of the community. The indicator used is the workforce working in the tourism sector. Data according to the Central Statistics Agency, in people per year, for the period 2014 - 2023. Inferential statistics are used to test population parameters through statistics, or to test population size through sample data. The statistical tests conducted were stationarity test analysis using the unit root test (Augmented Dickey-Fuller (ADF) Test, panel data linear regression analysis using the redundant fixed effect test and Hausman test, hypothesis testing using significance test (F test and t test), and model feasibility test. The entire data processing and analysis process used the panel data linear regression method with the help of the EViews for Windows computer program (EViews 1

4. Results and Discussion

The results of the unit root test with ADF-Fisher show that the Tourism Sector Performance variable is stationary at the level, while the Labor Absorption Variable is not stationary, so that a stationary unit root test is needed at the first difference level. The results of the unit root test at the first difference level show that all variables are stationary with a probability level of the tourism sector of $0.0000 < 0.05$ and a probability of labor absorption of $0.0000 < 0.05$, so that the model can be continued using panel data regression.

The results of statistical data processing of the elasticity value of the Tourism Sector to Labor Absorption are shown by the Coefficient $\beta = 0.168 < 1$, which shows that the increase in the Tourism Sector is inelastic to Labor Absorption. Increased labor productivity results in increased income only if the demand for tourism is elastic to price. Conversely, income decreases along with increased labor productivity if the demand for tourism is inelastic to price. These results can be generalized when we take into account other supply-side policies aimed at increasing labor productivity or reducing production costs. For example, providing subsidies to hotels, investing in public infrastructure, and so on can reduce costs in the tourism sector, but these steps will not increase the growth rate and income in the tourism sector if the demand for tourism is inelastic to price. (Stauvermann & Kumar, 2017).

The tourism sector makes a significant contribution to the Indonesian economy through increasing added value, foreign exchange, and job creation. Cultural, ethnic, and linguistic diversity are great potentials for tourism development, while the creative economy plays a role in driving labor absorption. The government has designated tourism as a priority sector in the 2020–2024 RPJMN because it is considered capable of driving economic growth and opening up broad employment opportunities. In addition, the ILO, (2009) Stated that tourism provides employment opportunities for low-skilled workers, thus contributing to poverty reduction.

On the other hand, the tourism sector is among the most vulnerable to shocks, such as the COVID-19 pandemic. UNWTO (2022) stated that 2020 was a time of global tourism decline, with around 100–120 million jobs at risk. In Indonesia, the pandemic that began in March 2020 had a major impact on the economy and tourism sector, exacerbated by the PSBB and PPKM policies that restricted people's mobility. Google Mobility Index data shows a significant decline in mobility to recreational areas. The pandemic has also changed tourist preferences, who tend to postpone trips or choose safe destinations. The number of foreign

tourists fell by 74.84% in 2020 and 61.57% in 2021, while domestic tourist trips fell by 27.36% in 2020.

Tourism, according to Law Number 10 of 2009, is a variety of tourism activities supported by various facilities and services provided by the community, entrepreneurs, the Government, and the Regional Government. The Tourism Industry is interrelated in meeting the needs of tourists in organizing tourism. One of the facilities supporting tourism needs is the availability of hotels and adequate accommodation services so that tourists are comfortable in enjoying the tourist attractions in an area. West Java Province, through Regional Regulation Number 15 of 2015, launched the West Java Provincial Tourism Master Plan for ten years until 2025. One of its goals is to make tourism a tool for improving community welfare and equitable development.

The tourism sector plays an important role in driving economic growth, including in Indonesia. Tourism is an alternative source of income for regions with minimal natural or industrial potential. Its development has an impact on increasing foreign exchange, regional income, and job creation. Factors such as natural resources, technology, culture, and human resources influence regional economic growth. Data from 2019 shows that the workforce in the tourism industry and the creative economy is dominated by women (52.27%), and in 2020, the proportion is still similar at 52.14% of female workers.

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5. Conclusion

The tourism sector can absorb a workforce of 8.87 million people (2021). The tourism sector plays a significant role in the Indonesian economy, both in terms of added value, foreign exchange earnings, and as a job creator. Indonesia's landscape, with its cultural, ethnic, and linguistic diversity, has great potential in tourism development, while the creative economy sector has the potential to be a locomotive for increasing employment absorption. However, on the other hand, tourism is also one of the sectors most vulnerable to shocks, such as the COVID-19 pandemic. The COVID-19 pandemic has changed people's preferences in making decisions to travel. People tend to decide to postpone traveling or prefer tourist attractions that tend to be safe from the spread of the COVID-19 virus. For Indonesia, this change in tourist preferences is a challenge in itself, considering the number of cases of COVID-19 infection is quite high. This is evidenced by the decline in the number of foreign tourist visits by 74.84 percent in 2020 and continuing to decline to 61.57 percent in 2021 compared to the previous year.

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