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ISLAMIC ECONOMIC VALUES ANALYSIS OF THE EFFECT OF WAGES, INVESTMENT, AND ICOR ON EMPLOYMENT IN LAMPUNG PROVINCE

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ABSTRACTS

Development planning is essentially determined by the ability to secure financing for the resources to be invested in order to achieve the desired level of growth and prosperity. ICOR is a comparative value that provides information on how much investment is needed to increase economic output. This study aims to analyze the values of Islamic economics and the influence of wages, investment, and ICOR on labor absorption in Lampung Province. Quantitative research is used to prove a theory, whether it be the influence or relationship of a variable. In this study, the researcher already had a problem to investigate, so the researcher tried to find the root cause of the problem. The results of this study indicate that the wage level variable has a positive and significant effect on labor absorption in Lampung Province for the period 2014-2023. The inflation variable has a positive and insignificant effect on labor absorption in Lampung Province for the period 2014-2023. The ICOR variable has a positive and insignificant effect on labor absorption in Lampung Province for the period 2014-2023. The variables of wage level, investment, and incremental capital output ratio (ICOR) simultaneously have no significant effect on labor absorption in Lampung Province for the period 2014-2023.

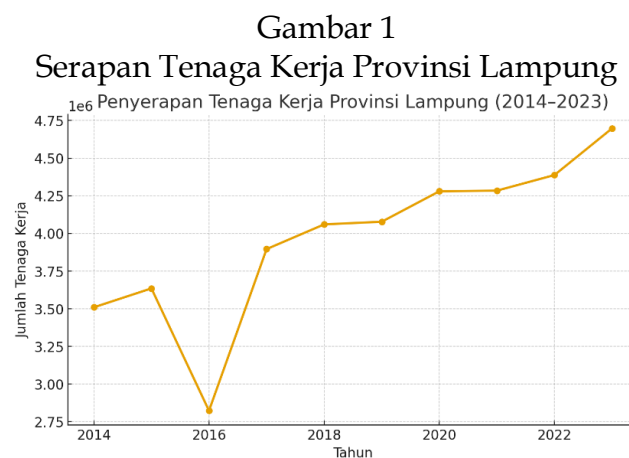
A. INTRODUCTION

Employment absorption reflects the extent to which a place or financial sector can retain or utilize the available labor force. In agrarian countries, weak labor assimilation causes monetary development to continue to fluctuate. Employment is not only a component of human resources, but also a major driving factor in the economy (Dito, 2024).

Amsah Hendri Doni, (2023) Economic development is essentially a multidimensional process that encompasses changes in social structure, changes in people's attitudes towards life, and changes in national institutions. Development also involves changes in economic growth rates, reduction of income inequality, and poverty alleviation. Furthermore, according to (Arsyad, 2000), economic development is a process whereby local governments and communities manage existing resources and establish a partnership between local governments and the private sector. This partnership is expected to create new jobs and stimulate economic activity (economic growth) in the region.

Efforts to ensure effective development in a region are also closely related to the quality of regional development planning, which utilizes and manages existing resources to promote high economic growth. Efforts to promote regional economic growth also require the establishment of regional development priorities ((Sjafrizal, 2008)).

Maryati, (2021) The dimensions of the employment problem are not limited to job vacancies or opportunities and low productivity, but are much more serious with different causes, in line with research conducted by (Lu et al., 2024) which states that there has been an increase in job vacancies and labor production, but wages are lower. On the other hand, this can hinder job growth and labor production Lucifora & Origo, (2025). The labor market, like other markets in the economy, is controlled by the forces of supply and demand, but the labor market differs from most other markets in that the demand for labor is derived demand (Fadinger et al., 2024), where the demand for labor is highly dependent on the demand for the output it produces (Borjas, 2010); Mankiw, 2006).



Sumber: Data diolah 2025

The above trend in overall employment in Lampung Province shows long-term positive growth with one period of sharp decline in 2016. After that, Lampung's economy was able to adapt and continue to increase employment, reflecting structural recovery and regional economic diversification.

In economic development planning, economic growth targets are usually predetermined. Chakraborty, (2024) One of the determinants of economic growth is investment, so in order for these targets to be set realistically, an indicator related to investment is needed. The required indicator is the Incremental Capital Output Ratio (ICOR) or the ratio between additional output and additional capital. If a region has an ICOR figure (coefficient), then the region will have no difficulty in determining the amount of investment needed to achieve the desired economic growth target. The smaller the ICOR coefficient value, the more efficient the economy of a region is in a given period of time.

Investment inflows into a region depend on the investment competitiveness of that region. Investment competitiveness does not happen overnight. It is developed continuously over time and is influenced by many factors. The main players in investment are the business community. Therefore, it is important to identify the factors that significantly influence the investment competitiveness of a region. This perception also needs to be understood by local governments. Similarly, local governments need to know the investment location options.

According to Mankiw, (2006) development planning is basically determined by the ability to secure financing for the resources to be invested in order to achieve the desired level of growth and prosperity. This analysis usually uses the concept of the incremental capital-output ratio (ICOR). ICOR is a comparative value that provides information on how much investment is needed to increase economic output. Referring to the Harrod-Domar concept (Harrod, 1939; Domar, 1946), which links the additional impact of capital stock on output, the ICOR calculation is very important in determining how much investment is needed to achieve the expected level of economic growth.

Furthermore, economic growth plays a key role in increasing employment opportunities. As the economy grows, demand for goods and services increases, encouraging companies to expand their production capacity and hire more workers (Palmeira et al., 2023). Conversely, when economic growth slows, employment tends to decline due to reduced production activity (Todaro, M.P. dan Smith, 2006). Inflation also has a complex relationship with employment. On the one hand, controlled inflation can be an indicator of increased aggregate demand, which drives job creation. However, excessively high inflation can reduce purchasing power and hamper investment, which ultimately has a negative impact on employment (Hardian, 2023)

Glitz et al., (2024), Employment absorption reflects the extent to which a location or financial sector is able to retain or utilize a large number of available workers. In rural countries, poor employment absorption causes fluctuations in monetary development. Employment is not only a component of human resources, but also a major driver of the economy (Espinosa et al., (2025)). In facing global

economic challenges, skilled and competitive human resources are very important. Job growth has the potential to have a positive impact on economic development, including reducing poverty, improving welfare, and minimizing the emergence of various social problems (Sarmita, 2015). Several studies have been conducted to examine the impact of economic growth, inflation, and investment on employment. For example, a study by Ni Luh Emi Damayanti, (2016) found that investment has a positive impact on employment opportunities in Bali Province. Increased investment leads to increased employment

The Islamic economic view of employment, in addition to its economic dimension, emphasizes moral, social, and spiritual dimensions. Work is a form of worship and devotion to God, and employment is an indicator of prosperity and social justice in Islamic society. Therefore, the basis of work in Islamic economics must aim to create a fair and productive workplace based on sharia values.

This study aims to determine and analyze the influence of wages, investment, and ICOR on employment and to integrate Islamic economic values into employment.

B. METHOD

Quantitative research is research used to prove a theory, whether it be the effect or relationship of a variable. In this study, the researcher already has a problem to investigate, so the researcher tries to find the root cause of the problem (Kasmir, 2022). The population in this study includes all data on wages, investment, and ICOR in Indonesia from 2014 to 2023. The sampling method used is purposive sampling. The data for this research was obtained from secondary sources. Data sources include the official websites of the Central Statistics Agency (BPS), Bank Indonesia, and various other official websites relevant to the research topic.

The data analysis technique in this study uses multiple regression (Ghozali, 2013), then the results of this study are tested using multiple linear regression tests, hypothesis tests, normality tests, and classical assumption tests.

A. Multiple Regression

To determine the extent to which wages, investment, and Incremental Capital Output Ratio (ICOR) affect labor absorption, this study uses multiple linear regression analysis. This method was chosen because it is able to measure the effect of more than one independent variable (X) on one dependent variable (Y) simultaneously or partially.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Explanation:

- Y = Labor Absorption
- β_0 = Constant
- $\beta_1, \beta_2, \beta_3$ = Regression coefficients for each independent variable
- X_1 = Wages
- X_2 = Investment
- X_3 = ICOR
- ε = Error term

B. Classical Assumptions

Before conducting multiple linear regression analysis testing on research hypotheses, it is necessary to first conduct classical assumption testing on the data to be processed. (Gujarati, N Damodar dan Porter, 2013) argue that a good equation in econometrics must have BLUE (Best Linear Unbiased Estimator) properties. To determine whether an equation has BLUE properties, the following classical assumption tests are performed

b.1 Normality test

Testing the normality of data distribution. The Normality Test is used because in parametric statistical analysis, the assumption that must be met by the data is that it must be normally distributed. Normally distributed data means that the data follows a normal distribution (Muhammad, 2018)

B.2 Multicollinearity Test

The Multicollinearity Test is used to determine whether or not there is a deviation from the classical assumption of multicollinearity, namely the linear relationship between independent variables in the regression model by looking at the variance inflation factor (VIF) value in the regression model.

B.3 Heteroscedasticity Test

The heteroscedasticity test is used to determine whether there is a deviation from the classical assumption of heteroscedasticity, namely the inequality of the variance of the residuals for all observations in the regression model. There are two basic models for detecting heteroscedasticity: the graphical method and the statistical method.

B.4 Autocorrelation Test

The autocorrelation test is used to determine whether there is a deviation from the classical assumption of autocorrelation, namely the correlation that occurs between the residuals in one observation and other observations in the regression model. There are two methods used to detect the presence or absence of autocorrelation, namely the graphical method and the statistical method. The method often used is the Durbin Watson (DW) test.

C. RESULT AND DISCUSSION

a. Analisis Statistik Deskriptif

Tabel 1
Analisis Statistik Deskriptif

	Uapah	Investasi	Icor	Serapan Tenaga Kerja
Mean	14.55726	8.567500	2.054225	15.18409
Median	14.58393	8.780166	1.945009	15.21894
Maximum	14.76374	9.418492	2.965788	15.36257
Minimum	14.27743	7.004882	1.383791	14.85333
Std. Dev.	0.173529	0.728613	0.433361	0.145120
Skewness	-0.277378	-1.004247	0.742298	-1.138992
Kurtosis	1.685513	3.160646	3.312030	3.741950
Jarque-Bera Probability	0.848179	1.691606	0.958912	2.391541
	0.654365	0.429213	0.619120	0.302471
Sum	145.5726	85.67500	20.54225	151.8409
Sum Sq. Dev.	0.271010	4.751703	1.690220	0.189538
Observations	10	10	10	10

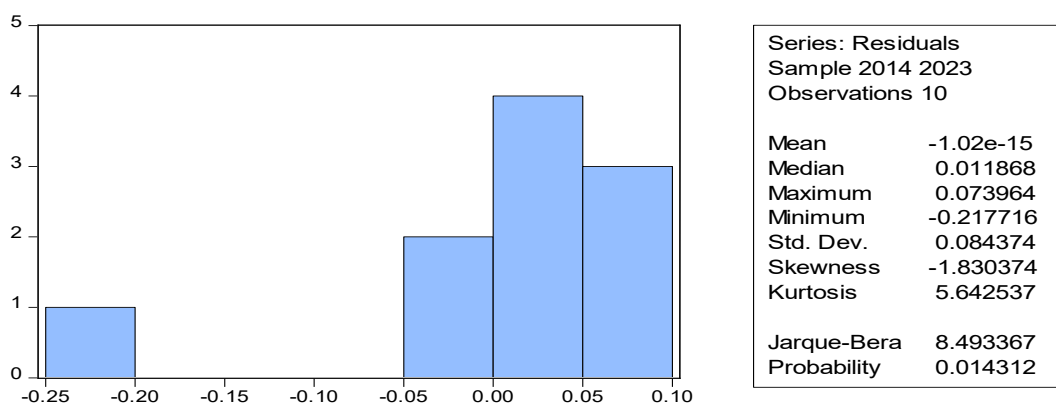
Sumber : Olah Data Eviews 12

Based on the table above, N or the number of valid data for each variable is 40, from 40 minimum wage data (X1), the minimum value is 14.27743, the maximum value is 14.78374, from the 2014-2023 period, the mean value is 14.55726, and the standard deviation value is 0.173529, which means that the mean value is greater than the standard value, so the data deviation is low and the value distribution is even. investment (X2) from N 40, it is known that the minimum value is 7.004882, the maximum value is 9.418492, the mean value from the 2014-2023 period is 8.567500, and the standard deviation value is 0.726613, which means that the mean value of investment for the 2014-2023 period is greater greater than the standard value, so that the data deviation that occurs is low and the value distribution is even. ICOR (X3) from N 40, it is known that the minimum value is 1.383791 and the maximum value is 2.965788. the mean value for the 2014-2023 period is 2.054225, and the standard deviation value is 0.433361, meaning that the mean value for the 2014-2023 period is greater than the standard deviation value, so the data deviation is low and the value distribution is even. Labor Absorption (Y) from N 40, it is known that the minimum value is 14.85333 and the maximum value is 15.36257, the mean value for the 2014-2023 period is 15.18409, and the standard deviation value is 0.145120, meaning that the mean value for the 2014-2023 period is greater than the standard deviation value, so the data deviation is low and the value distribution is even.

b. Uji Asumsi Klasik

1. Uji Normalitas

Tabel 2
Uji Normalitas



Sumber : Olah Data Eviews 12

greater than the standard value, so that the data deviation that occurs is low and the value distribution is even. ICOR (X3) from N 40, it is known that the minimum value is 1.383791 and the maximum value is 2.965788. the mean value for the 2014-2023 period is 2.054225, and the standard deviation value is

0.433361, meaning that the mean value for the 2014-2023 period is greater than the standard deviation value, so the data deviation is low and the value distribution is even. Labor Absorption (Y) from N 40, it is known that the minimum value is 14.85333 and the maximum value is 15.36257, the mean value for the 2014-2023 period is 15.18409, and the standard deviation value is 0.145120, meaning that the mean value for the 2014-2023 period is greater than the standard deviation value, so the data deviation is low and the value distribution is even.

2. Uji Multikolinearitas

Tabel 3
Uji Multikolinearitas

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	19.04799	17837.68	NA
Upah	0.101876	20219.72	2.585503
Investasi	0.003029	209.5584	1.347857
Icor	0.015498	63.69572	2.453022

Sumber: Olah Data Eviews 12

If the VIF value of the independent variable is <10.00 , it can be concluded that the multicollinearity assumption test has been met or passed the multicollinearity test.

This multicollinearity test is important to ensure that each independent variable in the model makes a unique contribution to the dependent variable. If multicollinearity occurs, the regression coefficients become unstable and the interpretation of the analysis results becomes biased. Therefore, a VIF result <10 indicates that the regression model is suitable for further analysis because there is no excessive linear relationship between the independent variables that could interfere with the accuracy of the estimation.

3. Uji Heteroskedastisitas

Tabel 3
Uji Heteroskedastisitas

F-statistic	1.761312	Prob. F(3,6)	0.2541
Obs*R-squared	4.682707	Prob. Chi-Square(3)	0.1966
Scaled explained SS	4.422210	Prob. Chi-Square(3)	0.2193

Sumber: Olah Data Eviews 12

Given that the Obs *R-Squared probability value is 4.682707 (>0.05), it can be concluded that the heteroscedasticity assumption test has been fulfilled or has passed the heteroscedasticity test.

The heteroscedasticity test is important to ensure that the variance of the error term (residual) in the regression model is constant at every level of the independent variable. If heteroscedasticity occurs, the estimation results may become inefficient and the coefficient variance becomes biased, so that the significance test is no longer valid. Therefore, the results of this test reinforce that the regression model used meets the classical assumptions and is suitable for use in further hypothesis testing.

4. Uji Autokorelasi

Tabel 4
Uji Autokorelasi

F-statistic	5.880275	Prob. F(2,4)	0.0644
Obs*R-squared	7.462017	Prob. Chi-Square(2)	0.0240

Sumber : Olah Data Eviews 12

Given that the Obs *R-Squared probability value is 7.462017 (>0.05), it can be concluded that the AUTOCORRELATION assumption test has been fulfilled or has passed the AUTOCORRELATION test.

The autocorrelation test is performed to ensure that the residuals or error terms from one observation are not correlated with the residuals of other observations. If autocorrelation occurs, the resulting estimates become inefficient and can cause errors in the regression parameter significance test. Therefore, the results of this test show that the regression model used is stable and meets the assumption of residual independence, making it suitable for further analysis and hypothesis testing.

Uji Hipotesis

1. Analisis Regresi Linear Berganda

Tabel 5
Analisi Regresi Linear Berganda

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.953379	4.364400	0.905824	0.3999
Upah	0.790911	0.319180	2.477949	0.0479
Investasi	-0.024292	0.055037	-0.441372	0.6744
Icor	-0.036352	0.124490	-0.292011	0.7801

Sumber : Olah Data Eviews 12

Based on the results in the table above, the following equation is obtained $3.953379+0.790911X_1-0.024292X_2-0.036352X_3$

The constant value obtained is 3.953379, which means that if the independent variable increases by one unit on average, the dependent variable will increase by 3.953379.

The regression coefficient value of variable X1 is positive (+) at 0.790911, which means that if variable X1 increases, variable Y will increase by 0.790911, and vice versa.

The Regression Coefficient Value of Variable X2 is negative (-) at -0.024292, which means that if variable X2 increases, variable Y will decrease by -0.024292, and vice versa..

The regression coefficient value of variable X3 is negative (-) at -0.036352, which means that if variable X2 increases, variable Y will also decrease by -0.036352, and vice versa

2. Hasil Uji T

Tabel 6
Hasil Uji T

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.953379	4.364400	0.905824	0.3999
Upah	0.790911	0.319180	2.477949	0.0479
Investasi	-0.024292	0.055037	-0.441372	0.6744
Icor	-0.036352	0.124490	-0.292011	0.7801

Sumber : Olah Data Eviews 12

Variable X1 has a t-Statistic value of 2.477949 with a Prob. (Significance) value of 0.0479 (<0.05), so it can be concluded that Variable X1 has a significant effect on Variable Y.

Variable X2 has a t-Statistic value of -0.441372 with a Prob. (Significance) value of 0.6744 (>0.05), so it can be concluded that Variable X2 does not significantly affect Variable Y.

Variable X3 has a t-Statistic value of -0.292011 with a Prob. (Significance) value of 0.7801 (>0.05), so it can be concluded that Variable X3 does not have a significant effect on Variable Y.

3. Hasil Uji F

Tabel 7
Hasil Uji F

R-squared	0.661961
Adjusted R-squared	0.492942
S.E. of regression	0.103337
Sum squared resid	0.064071
Log likelihood	11.06235
F-statistic	3.916480
Prob(F-statistic)	0.072937

Sumber : Olah Data Eviews 12

Given that the F-Statistic value is 3.916480 with a prob. (F-Statistic) value of 0.072937 (<0.05), it can be concluded that the Independent Variable (X) does not have a significant simultaneous (concurrent) effect on the Dependent Variable (Y)

Determinant Coefficient Test Results

Tabel 8
Uji Koefisien Determinan

R-squared	0.661961
Adjusted R-squared	0.492942
S.E. of regression	0.103337
Sum squared resid	0.064071
Log likelihood	11.06235
F-statistic	3.916480
Prob(F-statistic)	0.072937

Sumber : Olah data Eviews 12

Given that the Adjusted R Square value is 0.492942, it can be concluded that the contribution of the independent variable to the dependent variable simultaneously (concurrently) is 49.2%, while the remaining 50.8% is influenced by other variables outside the scope of this study.

D. DISCUSSION

1. The Effect of Wage Levels on Labor Absorption in Lampung Province for the Period 2014-2023.

Based on the results of the partial t-test, it shows that the minimum wage has a positive and significant effect on people's consumption patterns with a t-value $>$ t-table ($2.477949 > 2.028094$) with a Prob. (Significance) of 0.0479 (<0.05), which means that in this regression model, H1 is accepted, so it can be concluded that the wage level has a positive and significant effect on labor absorption.

In a study conducted by Yao, (2025), the results show that GRDP, investment, and inflation have a positive and significant effect on labor absorption in China.

Wage levels have a positive and significant effect on labor absorption, meaning that wage levels are inversely proportional to labor absorption. This means that if wage levels increase, labor absorption will also increase. This is in line with existing theory, which states that if wage levels increase, labor absorption will also increase, and vice versa. This is because an increase in wage rates increases aggregate demand (purchasing power), increases worker productivity, attracts more people to the workforce, encourages economic expansion, and creates a multiplier effect between sectors.

However, the relationship between wage levels and employment opportunities is not always linear. In the short term, wage increases can place an additional burden on companies, especially in labor-intensive sectors where the workforce is highly dependent on labor. If wage increases are not accompanied by increased productivity, companies usually reduce employment opportunities to reduce production costs. However, in the long term, wage increases that are proportional to productivity can actually increase productivity, improve work motivation, and enhance the quality of human resources, which ultimately has a positive impact on economic growth and employment opportunities.

2. The Effect of Investment on Employment in Lampung Province for the Period 2014-2023

Based on the results of the partial t-test, it shows that the effect of investment has a negative and insignificant effect on labor absorption with a t-value $>$ t-table ($-0.441372 > 2.028094$) with a Prob. (Significance) of 0.6744 (>0.05), which means that in this regression model, H2 is rejected. Therefore, it can be concluded that investment has a negative and insignificant effect on labor absorption.

In a study conducted by Petrovici & Ban, (2025) titled Peri-urban tides

and archipelagos: Labor flows and aggregate demand in Romania's foreign investment-driven spatial economy, the results show that investment does not have a positive and significant effect on employment in Romania.

Investment has a negative and insignificant effect on people's consumption patterns, meaning that inflation is inversely proportional to people's consumption patterns. Inverse proportionality means that if investment increases, it will reduce labor absorption. This is not in line with existing theory, which states that if investment increases, people's consumption patterns will decline. This is because if investment increases, it will only focus on technology and automation, thereby reducing labor absorption..

The negative impact of investment on employment can be explained by changes in investment patterns in the modern era, where investment is focused on increasing efficiency through the use of advanced technology and automation. Although such investments can increase productivity and economic output, they often reduce the need for human labor, especially in labor-intensive industries. As a result, even though the value of investment increases, its contribution to job creation is smaller or even negative.

3. The Effect of ICOR on Employment in Lampung Province for the Period 2014-2023.

Based on the results of the partial t-test, it shows that the effect of ICOR has a negative and insignificant effect on people's consumption patterns with a t-value $> t$ -table ($-0.292011 > 2.028094$) with a Prob. (Significance) of 0.7801 (> 0.05), which means that in this regression model, H3 is rejected. Therefore, it can be concluded that ICOR has a negative and insignificant effect on labor absorption.

In a study conducted by Jamaluddin et al., (2020) entitled "THE EFFECT OF HDI, ECONOMIC GROWTH, AND LABOR ON THE INCREMENTAL CAPITAL OUTPUT RATIO (ICOR) IN PAPUA PROVINCE," the results showed that HDI, economic growth, and labor have a negative and insignificant effect on ICOR.

ICOR has a negative and insignificant effect on labor absorption, meaning that ICOR is inversely proportional to labor absorption. This inverse relationship means that if ICOR increases, it will reduce labor absorption. This is consistent with existing theory, which states that if ICOR increases, labor absorption will decrease. This is because an increase in ICOR indicates inefficient investment, slow output growth, low labor demand, and decreased labor absorption.

This condition may also reflect an imbalance between capital growth and labor growth. If investment is directed more toward capital-intensive sectors than labor-intensive sectors, its contribution to labor absorption becomes smaller. This phenomenon often occurs in developing countries that are pursuing industrialization by adopting modern technology without improving the skills of their workforce.

4. The Effect of Wages, Investment, and ICOR on Labor Absorption in Lampung Province for the Period 2015-2024 from an Islamic Economic Perspective.

Based on the results of the simultaneous f test, it shows that the effects of minimum wage, inflation, and commodity prices have a positive and significant effect on people's consumption patterns with a fcount value > ftable ($3.916480 < 2.61$) with a Prob. (Significance) of 0.072937 (> 0.05), which means that in this regression model, H4 is rejected. Therefore, it can be concluded that wage levels, investment, and ICOR have a positive and insignificant effect on labor absorption.

In a study conducted by Puspasari & Handayani, (2014) entitled "ANALYSIS OF THE EFFECT OF EDUCATION, HEALTH, AND WAGES ON LABOR PRODUCTIVITY IN CENTRAL JAVA PROVINCE," The results of the study show that the variables of education, health, and wages have a significant and positive effect on labor productivity.

Wage levels, investment, and ICOR have a positive but insignificant effect on labor absorption, meaning that wage levels, investment, and ICOR are inversely proportional to labor absorption. Inverse proportionality means that if they increase, labor absorption will decrease. This is inconsistent with existing theory, which states that if wage levels, investment, and ICOR increase, labor absorption will decrease, and vice versa. This is because when wage levels, investment, and ICOR increase simultaneously, labor absorption may actually decrease. Wage increases make labor costs more expensive, so companies tend to reduce the number of workers or switch to automation. Even if investment increases, if it is directed towards capital-intensive technology or process efficiency rather than production expansion, the impact on job creation will be minimal. Meanwhile, an increase in ICOR indicates that investment is becoming less efficient in generating output, causing economic growth to slow down and failing to sufficiently drive labor demand. Therefore, the combination of these three conditions can lead to an overall decline in labor absorption.

From an Islamic economic perspective, this condition indicates an imbalance in the distribution of resources and economic outcomes. Islam

emphasizes the principle of balance (tawazun) between economic growth, social justice, and community welfare. Increased investment and wages should not only pursue economic efficiency, but also be directed towards achieving *maslahah* (public benefit) and justice (*al-'adl*). If capital increases only benefit capital owners without expanding employment opportunities, then this contradicts the principle of *maqashid al-syariah*, especially in preserving wealth (*hifz al-mal*) and life (*hifz al-nafs*).

In this context, the Islamic economic system offers a more inclusive and socially oriented investment approach, such as *mudharabah* and *musyarakah*-based partnerships, which enable fair risk and profit sharing between investors and workers. This model not only promotes capital efficiency, but also expands employment opportunities and increases community participation in productive economic activities.

Thus, although empirically wage levels, investment, and ICOR show a positive but insignificant effect on labor absorption, this condition reflects the need to reorient economic policy so that it focuses not only on growth, but also on quality and fairness in development. From an Islamic economic perspective, the success of development is measured not only by high investment or output figures, but also by the extent to which development is able to improve welfare, reduce unemployment, and create social justice for all levels of society.

E. CONCLUSION

Simpulan

1. Wages

The increase in wage levels in Lampung province during the 2014–2023 period had a positive effect on labor absorption. Adequate wages can improve worker welfare, consumption, and demand for goods/services, which can also encourage new businesses and labor absorption.

2. Investation

Investment has a negative impact on employment. Investment focuses only on technology and automation, resulting in lower employment.

3. ICOR

ICOR is an indicator of investment efficiency: the lower the ICOR, the greater the economic growth output per unit of capital invested. If the ICOR is high, investment is less efficient, meaning that additional investment is not always followed by proportional output growth → the impact on labor absorption may be less than optimal. Therefore, a low ICOR is important for investment to be more effective in absorbing labor.

4. Simultaneously

If investment increases but ICOR is also high, the effect of investment on labor absorption can be weak. Wage increases that are not matched by productivity or capital efficiency (poor ICOR) can burden companies with production costs and reduce labor absorption. Conversely, a combination of high investment, balanced wages, and efficient ICOR optimizes labor absorption.

F Recommendation

The Government

- Set wages proportionally in line with labor productivity so as not to burden businesses and continue to encourage labor absorption.
- Encourage investment in labor-intensive sectors by providing incentives and ease of licensing to create more jobs.
- Improve investment efficiency (reduce ICOR) through careful project planning and the use of appropriate technology, so that invested capital produces maximum output and employment.

The Community

- Improve skills and work productivity in order to compete in the labor market and earn appropriate wages.
- Support government programs and incoming investments by maintaining social stability and creating a conducive business climate.
- Take advantage of job opportunities from new investments by actively seeking information, participating in training, and building local business networks.

3. Academics and Researchers

- Use more complete and up-to-date data and more in-depth analysis methods to test the causal relationship between variables.
- Add other variables such as education, infrastructure, or technology to enrich the analysis of labor absorption.
- Conduct comparative studies between regions to determine the effectiveness of similar policies in other areas as material for policy recommendations in Lampung.

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