

The Role Of Accommodation And Food Service Industry To The Development Of Tourism In Jawa-Bali

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ABSTRACT

The Role of Accommodation and Food Service Industry which is measured by its contribution, employment and its affecting factors, employment elasticity, as well as labor productivity towards economy, particularly tourism, has not been optimised. This research aims to analyse: (1) the impact of Provincial Minimum Wage (PMW), Gross Regional Domestic Product (GRDP), the Number of Businesses, and Inflation on employment in Accommodation and Food Service Industry; (2) its contribution toward economy, employment, employment elasticity, and labor productivity in the given industry. The analytical tools used in this research are Descriptive Statistics and Pooled Data Regression Model (FEM and REM Approaches). The data being analysed is secondary data series 2014-2018 and cross sectional which is taken (provinces in Jawa-Bali) and respective to this research problem and goal. The result shows that the factors influencing employment rate positively and significantly are GRDP and inflation, whilst those affecting insignificantly are PMW and the number of businesses. The average contribution during 2015-2018 was 7.43% annually, whereas in Bali and DIY, the contribution was 23.17% and 10.21%, respectively. The employment rate per business averaged to 497 people with the average growth of employment in the given industry of about 14.22% annually. The employment elasticity was 0.63 and labor productivity per person averaged to IDR 84.99 million higher than national average of IDR 53.84 million/person in 2018. Consequently, in order to increase output, high multiplier effect in economy, stable inflation (3%-4% annually), and prudential PMW policy are required.

Keyword: employment, contribution, pooled data, tourism.

ABSTRAK

Peranan Industri Akomodasi dan Makan Minum yang diukur dari kontribusinya, *employment* dan faktor-faktor yang mempengaruhinya, elastisitas *employment*, dan produktivitas tenaga kerja terhadap perekonomian khususnya kepariwisataan, belum optimal. Tujuannya untuk menganalisis: i) Pengaruh Upah Minimum Provinsi (PMW), Produk Domestik Regional Bruto (PDRB), Jumlah Unit Usaha, dan Inflasi terhadap *Employment* pada Industri Akomodasi dan Makan Minum di Jawa-Bali; ii) kontribusinya pada perekonomian, *employment*, elastisitas *employment*, dan produktivitas tenaga kerja pada industri tersebut. Alat analisisnya adalah Metode Statistik Deskriptif dan Model Regresi Pooled Data dengan Pendekatan *Fixed Effect Model* (FEM) dan *Random*

Effect Model (REM). Data yang dianalisis menggunakan data sekunder *series* 2014-2018 dan *Cross section* (provinsi-provinsi di Jawa-Bali) yang terkait dengan permasalahan dan tujuannya. Hasilnya menunjukkan, faktor-faktor yang mempengaruhi *employment* yaitu PDRB dan inflasi berpengaruh positif dan signifikan terhadap *employment*, sedangkan PMW dan jumlah unit usaha tidak berpengaruh secara signifikan. Kontribusinya (2015-2018) rata-rata 7,43% per tahun, namun untuk Bali (23,17%) dan DIY (10,21%). Daya serap tenaga kerja per unit usaha rata-rata 497 orang dengan pertumbuhan *employment* di industri tersebut rata-rata 14,22% per tahun. Elastisitas *employment* sebesar 0,63 dan produktivitas tenaga kerja rata-rata per orang Rp84,99 Juta, lebih tinggi dari rata-rata nasional sebesar Rp53,84 Juta per orang pada 2018. Implikasinya, untuk meningkatkan *output* diperlukan *multiplier effect* perekonomian yang tinggi, laju inflasi kondusif (3%-4% per tahun), dan kebijakan PMW yang *prudent*.

Kata kunci: *employment*, kontribusi, data panel, kepariwisataan

INTRODUCTION

Over the past five years, the structure of the Indonesian economy has shifted its role in each of the industry contained in 17 industries. Industries that had the largest contribution to the Gross Domestic Product (GDP) in 2018 were Manufacturing Industry at 19.36%, followed by Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles at 13.02%, Agriculture (12.81%) while Accommodation and Food Service Industries are still relatively small (2.78%). In addition, the role of industry in economic development can be measured by its contribution in employment, employment elasticity, and labor productivity in each industry. In mid-2018, employment in the Agriculture was 28.79%, Wholesale and Retail Trade absorbed 18.61%, Manufacturing (14.72%) of the workforce, followed by Construction (6.69%), and Accommodation and Food Service Industry (6.18%). Other industries are able to absorb a diverse workforce of under 5% (BPS, 2018). Indonesian tourism is currently one of the sectors that the government has prioritized the most because it is one of the significant foreign exchange earners (US\$ 20 billion in 2019), provides employment, and encourages supporting industrial activities. The development of Indonesian tourism was carried out through the development of tourism destinations in 10 priority locations. Therefore, to improve the quality of the development of the 10 destinations, these efforts have been made: (1) development of infrastructure and tourism ecosystems; (2) development of natural, cultural and artificial tourist destinations; (3) improving tourism destination governance and community empowerment. The Priority Tourism Destinations include: Lake Toba North Sumatra, Tanjung Kelayang Bangka Belitung, The Thousand Islands and the Old City of DKI Jakarta, Tanjung Lesung Banten, Borobudur Central Java, Bromo Tengger Semeru East Java, Mandalika West Nusa Tenggara, Wakatobi, Southeast Sulawesi, Labuan Bajo East Nusa Tenggara, and North Maluku Morotai Island. The Contribution of Accommodation and Food Service Industry to the formation of Gross Regional Domestic Product (GRDP) in Jawa-Bali (2014-2018) averaged 7.43%, but from six provinces (DKI Jakarta, West Java, Central Java, DIY, East Java, and Banten) the contribution from DIY was 10.21%, while the Province of Bali averaged 23.17%. According to (LAK Kemenpar, 2016: 6, 17), the economic contribution of tourism to the economy through its role in the formation of Gross Domestic Product (GDP), is shown by several components of the creation of GDP in the tourism sector that occurs through the expenditure of domestic tourists, government tourism budgets, foreign tourist expenditures, and investments in tourism businesses which include: (1) tourist attraction business; (2) tourism area businesses; (3) tourism transportation services; (4) travel services; (5) food and beverage services; (6) accommodation providers; (7) organizing entertainment and recreation activities; (8) organizing meetings, incentive trips, conferences and exhibitions; (9) tourism information services; (10) tourism consulting services; (11) tour guide services; (12) tirta tourism; and (13) SPA (Solus per Aqua/water therapy). Therefore, the role of Accommodation and Food Service Industry in Jawa-Bali needs to be

pushed further to be able to contribute significantly to the development of tourism. Within the national scope (2015-2017) the average employment rate in Accommodation and Food Service Industry is 14.81%, exceeding GDP growth in the industry (5.36%), and employment elasticity is 2.76 (BPS, 2018).

The Role of Accommodation and Food Service Industry which is measured by its contribution, employment and its affecting factors, employment elasticity, as well as labor productivity towards economy, particularly tourism, has not been optimized. Therefore it needs to be encouraged so that it can play a role in the development of tourism, given the industry is able to create forward and backward linkages in the economy. The results of this study are expected to be beneficial for: (1) policy makers in the field of tourism management, in order to realize competitive tourism and as a leading sector in the economy; (2) the wider community, indirectly as a strengthening and utilization of local culture through sustainable tourism; (3) other parties as a reference for conducting further research in the same or related fields. The purpose of this study is to analyze: (1) the effect of the Provincial Minimum Wage, GRDP, Number of business units, and Inflation on employment in Accommodation and Food Service Industry in Jawa-Bali; (2) the contribution of Accommodation and Food Service Industry to the economy, employment, employment elasticity, and labor productivity in the industry in Jawa-Bali.

To analyze the effects of independent variables (Provincial Minimum Wage, GRDP, number of business Units, and Inflation) on the dependent variable (employment), it is deemed necessary to test hypotheses using the Regression Model with the Fixed Effects and Random Effects approaches. The hypothesis develops with the premise that the labor market will reach a balance if the demand for labor (the total demand for labor by companies and the government) equals to the supply of labor (the number of people willing to work at various levels of real wages). If the government sets a minimum wage above the equilibrium wage, a higher wage rate pushes the number of people who enter the market to increase, but the demand for labor decreases. Thus the minimum wage encourages unemployment (Borjas, J. G., 2016: 117).

Hypothesis 1: Provincial Minimum Wage does not have negative and significant effects on employment.

Theoretically, economic growth and unemployment are closely related. A high economic growth will result in a scheme of unemployment rate reduction, and is expected to create output growth, needing massive employment to achieve the increased output capacity. The study conducted by economist Arthur Okun (Okun's Law) indicates a negative relationship between economic growth and unemployment, the higher the rate of economic growth, the lower the unemployment rate will be, and vice versa (Arsyad, 2010: 360).

Hypothesis 2: Gross Regional Domestic Product does not have positive and significant effects on employment.

An increase in output in economic growth suggests that there is an increase in the number of business units/companies nationwide. As a result, there will be an increase in labor demand in the labor market. If the wage level does not change or remains at the equilibrium wage level, the increased number of business units will increase the employment.

Hypothesis 3: The number of business units does not have positive and significant effects on employment.

The Phillips curve illustrates the negative relationship between the inflation rate and the unemployment rate. The curve shows that in the economy there is a trade-off between inflation and significant unemployment (Borjas, J. G., 2016: 528-529). The trade-off shows that suppressing the unemployment rate will increase employment. Therefore, it creates a positive and significant correlation between the inflation rate with employment.

Hypothesis 4: Inflation does not have positive and significant effects on employment.

A previous study shows the effects of the PMW, GRDP, number of business units, and inflation on employment result in different output. Feriyanto, N., & Sriyana, J. (2016), state that the minimum wage policy across provinces has created an unemployment trap in that period. It means that the minimum wage policy fails to support the local economy for the better economy and more stable

welfare of the community. In addition, economic growth across provinces has not contributed to the increase in employment in the local economy. Prastyadewi, I.K., et al. (2013) disclose that GRDP, working age population and minimum wages give positive effects on employment but no significant effects to the educated unemployment. Further, an increase in employment and labor productivity has positive and significant effects on the GRDP of the Trade, Hotel and Restaurant Sector in Bali. Rochmani, S.T., et al. (2016) reveal that the economy grows through the process of industrialization, which should have increased employment. Moreover, the results show that the level of economic growth and the Provincial Minimum Wage have positive effects on employment opportunities, while the number of company units does not affect employment in the Industrial Sector in Central Java Province. There is a similarity between this study and previous studies, but there are differences in the role of the industry as measured through its contribution, employment, employment elasticity, and labor productivity.

METHODS

The operational definitions of the variables used are: (1) Accommodation and Food Service Industry is a industry in classification I in 17 GDP/GRDP forming industries, hereinafter referred to as Accommodation and Food Service Industry; (2) workers are all people who normally work in companies/business units; (3) Provincial Minimum Wage (PMW) is the minimum wage that applies to all regencies/cities in a province, which is determined by the Governor by taking into account the recommendations of the Provincial Wage Board; (4) employment opportunity elasticity is an indicator that can explain the relationship between economic growth and employment opportunities; (5) labor productivity is the ratio between output (GDP/GRDP) and the number of people working in Accommodation and Food Service Industry by province (IDR million per worker); (6) Tourism is all activities related to tourism and is multidimensional and multidisciplinary in nature which emerges as a manifestation of the needs of each person and country as well as interactions between tourists and the local community, fellow tourists, the government, regional governments and entrepreneurs; (7) tourism (*pariwisata*) is a variety of tourism activities supported by various facilities and services provided by the community, business people, government, and regional government in the form of human creativity, taste and initiative as cultural creatures, both tangible and intangible.

The data being analysed is secondary data which includes: Provincial GRDP in Jawa-Bali and its derivatives, number of business units in Accommodation and Food Service Industry, Provincial Minimum Wage, Inflation, employment data, and other data related to the problem. Secondary data was obtained from BPS Provinces in Jawa-Bali (DKI Jakarta, West Jawa, Central Jawa, DIY, East Jawa, Banten, and Bali Province). Provincial Tourism Office, Province in Figures, journals, authorized officials as resource persons, and other related articles. All secondary data are time series data from 2014-2018 and cross-sections from 7 provinces (35 observations). Data collection is done by literature study. The analysis tool is Descriptive Qualitative Method equipped with quantitative analysis methods, namely Descriptive Statistics Method. To analyze its purpose the Regression Log-log Pooled Data Model is used, the estimated model uses the Fixed Effect and Random Effect Approach. According to Widarjono (2016, pp. 353-366). There are several benefits obtained by using pooled data: (1) pooled data which is a combination of two kinds of time series data and a cross section capable of providing more data so that it will produce a greater degree of freedom; (2) combining time series data and cross section information can overcome problems that arise when there are omission variables (omitted-variables).

The regression equation model:

$$\log PTK_{it} = \beta_1 \log PMW_{it} + \beta_2 \log GRDP_{it} + \beta_3 \log JUU_{it} + \beta_4 INF_{it} + e$$

Where:

$\log PTK_{it}$ = Employment in the Province of Jawa-Bali's Accommodation and Food Service Industry in year t (people)

- $\log PMW_{it}$ = Provincial Minimum Wage in Jawa-Bali i in year t (IDR million)
- $\log GRDP_{it}$ = Economic Growth in the Province of Jawa-Bali's Accommodation and Food Service Industry in year t (percent)
- $\log JUU_{it}$ = Number of Business Units/Companies in the Province of Jawa Bali's Accommodation and Food Service Industry in year t (unit)
- INF_{it} = Provincial General Inflation in Jawa-Bali i in year t (percent)
- β_0 = constant;
- $\beta_1 < 0, \beta_2, \beta_3 \text{ and } \beta_4 > 0$ = coefficient
- e_{it} = error term.

RESULTS AND DISCUSSIONS

To determine the best estimation model, a model selection test is therefore needed through the stages of selecting the most suitable model between CEM, FEM, and REM as stated in diagram 3 below:

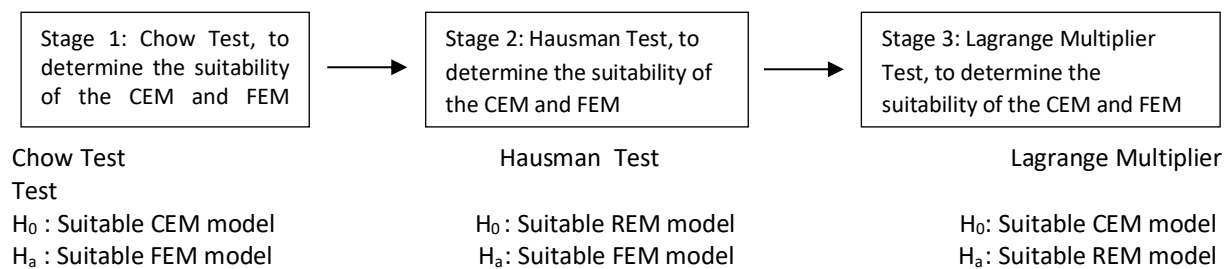


Diagram 3. The Stages of Selecting The Most Suitable Model

According to diagram 3, determining the use of the Common Effect/Polled Least Square or Fixed Effect is done using the F-statistic test which is a test of the sum of square residuals of each method (Chow Test). If the value of $F\text{-count} > F\text{-table}$ at a certain level of confidence (α) then H_0 is rejected, so the Fixed Effect Method must be used to estimate the model, and vice versa. The Hausman test is used to choose a model between the Random Effect Model (REM) and the Fixed Effect Model (FEM). If the value of $F\text{-count} > F\text{-table}$ at a certain level of confidence (α) then H_0 is rejected, so the Fixed Effect Method must be used to estimate the model, and vice versa. The Lagrange Multiplier Test is used to select a model between the Common Effect Model (CEM) and the Random Effect Model (REM). If the Breusch-Pagan cross-section value is below a certain level of confidence (α) then H_0 is rejected so the Random Effect Method must be used to estimate the model, and vice versa. The log regression model estimation results showing the effect of PMW, GRDP, Number of Business Units, and Inflation on Labor Absorption in Accommodation and Food Service Industry are stated in the estimation results of the Common Effect, Fixed Effect and Random Effect Models in the following table.

Table 1. Estimation Results of Common Effect, Fixed Effect, and Random Effect Models

Dependent Variable	LogPTK		
Independent Variable	<i>Common Effect</i>	<i>Fixed Effect</i>	<i>Random Effect</i>
Constanta	24.577870*	17.037450	8.159592
LogPMW	-1.401628*	2.184312**	-0.220652
LogGRDP	0.865409*	-3.789068	0.625990**
LogJUU	-0.109315	0.404828	0.136612
INFLATION	0.165762*	0.230962*	0.233011*

Source: Data *output* processed

Note: *) significant at α 0.05; **) significant at α 0.10

Table 2. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	11.534724	(6,24)	0.0000
Cross-section Chi-square	47.487420	6	0.0000

Source: Data output processed

In table 2, the results of the Chow Test obtained a F probability value of 0.0000 which is below the degree of error (α 0.05), indicating rejection of H_0 or accepting H_a means that the Fixed Effect Model is more suitable for use than the Common Effect Model (PLS). The next step is to choose between the Fixed Effect Model and the Random Effect using the Hausman Test shown in table 3.

Table 3. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	7.338784	4	0.1190

Source: Data *output* processed

Table 3 shows the results of the Hausman Test that the probability of a random cross-section of 0.1190 is above the degree of error (α 0.05), meaning that H_0 is accepted so that the Random Effect is a more appropriate model to use than the Fixed Effect. The last step is the Lagrange Multiplier Test listed in table 4.

Table 4. Lagrange Multiplier Test

Null (no rand. effect) Alternative	Cross-section One-sided	Period One-sided	Both
Breusch-Pagan	12.99645 (0.0003)	5.396227 (0.0202)	18.39267 (0.0000)
Honda	3.605058 (0.0002)	2.322978 (0.0101)	4.191755 (0.0000)
King-Wu	3.605058 (0.0002)	2.322978 (0.0101)	4.079410 (0.0000)
GHM	-- --	-- --	18.39267 (0.0000)

Source: Data *output* processed

The Lagrange Multiplier Test results in table 4 show, the cross-section value of the Breusch-Pagan section of 0.0003 is below the degree of error (α 0.05), it means rejecting H_0 so that the Random Effect is a more appropriate model than the Common Effect.

Effects of Provincial Minimum Wages, Gross Regional Domestic Product, Number of Business Units, and Inflation on Employment

To analyze the factors that influence employment in Accommodation and Food Service Industry, use the Random Effect Model (the best model) with the following log regression model estimation (Appendix 4):

$$\log PTK_{it} = 8.159592 - 0.220652 \log PMW_{it} + 0.62599 \log GRDP_{it}^{**} + 0.136612 \log JUU_{it} + 0.233011 \log INF_{it} + e_{it}$$

$R^2 = 0.692415$; Adj $R^2 = 0.651403$; Prob. (F-statistics) = 0.00000

Note: *) significant at α 0.05

***) significant at α 0.10

Based on the Regression equation, the sign test (a priori theory) all the independent variables are in accordance with the sign theory. Two variables that have a positive and significant effect on employment are the GRDP and inflation. The power of estimation is clear $R^2 = 0.692415$, meaning 69% of the variation of the independent variable is able to explain the variation of the dependent

variable, while the remaining 31% is influenced by other variables outside the model used. For example capital, labor skills, technology, a conducive environment, and so on. This result is in line with (Wulandari, et al, 2019) from a different aspect, namely the unemployment rate responds to the shock of rising inflation only at first until it finally decreases. It shows that shocks are caused by the impact of inflation in the short term. Finally, both the short and long term unemployment does not affect the inflation rate. GRDP coefficient = 0.62599, meaning *ceteris paribus* if there is an increase in GDP by 10% it will increase employment (the number of workers working in the industry) by 6.23% and vice versa. According to (Prastyadewi et al, 2013), GRDP, working age population, and minimum wage have a positive effect on employment but educated unemployment has insignificant effect. In addition, an increase in employment and labor productivity has a significant positive effect on the GRDP of the Trade, Hotels and Restaurants Sector in Bali. (Ilman, et al, 2016), states that there is no special relationship between FDI (Foreign Direct Investment) with economic growth in Indonesia, both directly and indirectly. Furthermore there is insignificant evidence that FDI is more efficient for economic growth than domestic investment.

For inflation the coefficient = 0.233011, meaning that *ceteris paribus* if there is an increase in inflation by 10% it will be followed by an increase in employment by 2.33% and vice versa. Trimurti, et al (2014) examined the relationship between economic growth, inflation, minimum wages, and unemployment. The results are: (1) economic growth and unemployment have insignificant effect on unemployment; (2) inflation and unemployment have a positive and significant effect on unemployment; (3) minimum wages and unemployment insignificantly influence unemployment. Muryani & Pamungkas (2018) show that the unemployment rate and capital have a positive effect, the labor force and the inflation rate have a negative effect, and government spending is not significant on economic growth in Indonesia. In their research Sriyana & Jaka (2018) found the facts of the causal relationship between minimum wages and inflation in the long run and the indirect relationship of wages to inflation in the short run.

The results of the estimated regression in this study, the two variables that were insignificant were the PMW and the Number of Business Units. The similarity of results conducted by (Rochmani, et al, 2016), that the aspect of employment is a fundamental aspect of the economy. The economy grows through the process of industrialization, which should be able to absorb more labor. With more workers absorbed will increase the welfare of Accommodation and Food Service Industry population. Furthermore, the level of economic growth and the level of the PMW has a positive effect on employment opportunities, while the number of company units does not affect employment opportunities in the Industrial Sector in Central Jawa Province. PMW policies across provinces have created unemployment traps which can show that PMW policies have failed to support the local economy for the better and more stabilize the welfare of the people. In addition, unpredictable results regarding the role of economic growth across provinces are also influenced by geographical factors. Provinces located in Western Indonesia tend to have a high level of employment opportunities, which indicates an imbalanced development in a country (Feriyanto & Sriyana, 2016). Conformity with (Wihastuti & Rahmatullah, 2018), that the PMW has a significant negative effect on employment, while economic growth has a significant positive effect on employment. It further emphasized that the PMW policy remains an obstacle to the creation of justice in the labor market because it creates price rigidity. These results provide an indication for policy makers to be more careful in determining the amount of the PMW so as not to distort the main development goal of creating public welfare.

The Role of Accommodation and Food Service Industry in Jawa-Bali

The role in this case (BPS, 2018) can be measured based on its contribution to the economy, employment, employment elasticity (the ratio between the percentage of employment changes to the percentage change in GRDP), and labor productivity. The calculation results are in the following table 5.

Table 5. Average Contribution of GRDP, Absorption and Productivity of Labor on Accommodation and Food Service Industry in Jawa-Bali 2014-2018

Information	DKI Jkt	West Jawa	Central Jawa	DIY	East Jawa	Banten	Bali	Rata-rata
Contribution towards GRDP (%)	5.01	2.60	3.07	10.21	5.56	2.36	23.17	7.43
Growth of Labor (%)*)	3.59	12.53	14.32	27.38	13.11	22.6	6.04	14.22
Labor Productivity (IDR millions/Labor)	204.80	28.81	29.47	60.63	85.96	44.72	140.51	84.99
Labor Absorption (Labor/UU)*)	953	615	607	135	389	680	98	497

Source: Appendix 8, processed

Note: *) in 2015-2018

In table 5. the industry's contribution to the formation of the average GRDP for five years (2014-2018) was 7.43%, however the biggest contribution was in the provinces of Bali (23.17%) and DIY (10.21%). Therefore, the two provinces are the main tourist destination, in addition to the 10 other priority destinations spread across Indonesia. The industrial development is measured based on its performance that is able to contribute to the GRDP quite large and is accompanied by the ability to absorb high workforce as well. In the period of 2013-2017, its contribution to the regional economy averaged 10.12% or third in DIY and second in Yogyakarta, which amounted to 13.16%. Therefore Accommodation and Food Service Industry as a tourism supporting industry, in the next few years is still very potential to be developed as a leading industry in all regencies/cities in DIY. Given the prospects of tourism development going forward is very competitive, both at regional, national and international scales.

When related to another role, namely employment, the ability of industries to absorb labor is demonstrated by their ability to provide employment per business unit. On average per business unit per year has a workforce absorption of 497 people. The highest absorption capacity in DKI Jakarta Province (953 people), followed by Banten (680 people), West Jawa (615 people), and the lowest in Bali (98 people). Studies conducted by (Daud & Nahu, 2017), show that the growth of the Primary and Secondary Sectors directly influences employment, while the Service Sector has no effect on employment. Furthermore, the growth of the Secondary Sector and Services directly affects the welfare of the community and indirectly influences the welfare of the people through employment.

The growth of labor force in the industry, on average per year is 14.2% with the highest growth in DIY (27.4%) and Banten (22.6%). When related to the ability to absorb labor, it can be seen through its employment elasticity found in the GRDP coefficient in its regression equation (because of the log-log regression model, the coefficient of the variable shows the coefficient of elasticity). GRDP coefficient = 0.62599, shows the coefficient of employment elasticity of 0.63 < 1 (inelastic), meaning that if there is an increase in GRDP by 10% will only increase employment by 6.3%. This implies that the average percentage increase in labor absorption to the percentage increase in the output of goods and services in the industry is less sensitive (less responsive). Therefore, employment is still the use of essential production factors (main), each increase in output of goods and services by 10%, only able to increase the use of labor production factors by 6.3%. According to (Puspajuita & Erna, 2018), it shows that the labor force elasticity is insignificant, and the PMW level variable does not have a significant negative effect on the unemployment rate.

Labor productivity shows the ability of each workforce to produce output of goods and services in the industry. For an average of five years, each workforce is able to produce an output of goods and services of IDR84.990 million per worker per year. The highest productivity in the Province of DKI Jakarta is IDR 204.800 million per labor per year, then followed by Bali (IDR 140.510 million), while the lowest in West Jawa and Central Jawa are IDR 28.810 million and IDR 29.470 million. According to (Sani, Sambodo, & Bambang, 2018), human capital, which is seen from the level of education and life expectancy, labor and capital has a positive influence on economic growth. In line with (Novianto & Marsisno, 2019), it shows that Gross Fixed Capital Formation, Study Length Average, and Sectoral Real Wage have a significant positive effect, while Life Expectancy has a negative effect on Labor Productivity. In order for each business unit to be able to produce high labor productivity, it is

necessary to use good labor skills, adequate capital and technology, and maintain conducive environmental conditions (Yuliana, et al, 2019), showed that investment (total foreign direct investment and domestic direct investment), inflation, and road infrastructure development had a positive and significant effect on economic growth. According to (Kala, et al, 2018), shows that capital has a positive and significant effect on economic growth. Inflation and the exchange rate have a significant effect on economic growth. Inflation under certain conditions has a significant negative effect on economic growth to the interest rate and capital. However, the number of workers has no significant effect on economic growth. This means that the government needs to reduce the level of inflation that can reduce interest rates to raise the amount of capital and ultimately increase economic growth in Indonesia.

Based on the role of Accommodation and Food Service Industry in the economy, which is able to realize it as a supporting industry of the "Wonderful Indonesia" Tourism Development in Indonesia, tourism as Indonesia's Core Economy has many competitive advantages and comparative advantages: (1) Tourism which Produces the Largest Foreign Exchange; (2) Best in Regional; (3) "Wonderful Indonesia" Country Branding; (4) Indonesia Incorporated; (5) Indonesia as a Tourism Hub Country; (6) Resource Allocation (Kemenpar, 2016-2019). According to (Suhel & Bashir, 2018), the number of tourists, the added value of the Tourism Sector, and government spending in the Tourism Sector affect economic growth, while the Tourism Sector investment has no effect on economic growth. Factors that have a significant effect will affect the number of tourists. In the end, government policy has an important role in encouraging the development of the Tourism Sector which is indicated by its contribution to economic growth. (Puah, et al, 2018), his empirical findings indicate that tourist acceptance and capital investment in the Tourism Industry have a positive and significant impact on economic growth and his hypothesis on tourism leads to acceptable growth in Malaysia. Efforts to improve destination competitiveness should be focused on systematically improving the environment, human resources and infrastructure aspects. Tourists have the same perception of the competitiveness of destinations (tourist destinations), where each destination has specific product themes. Environmental quality is an important instrument for destination competitiveness, human resources must have high qualifications and skills to improve destination competitiveness (Nurbaeti, et al, 2016).

CONCLUSIONS

Based on the results of the analysis and discussion, this study produces the following conclusions: (1) The factors that affect employment in Accommodation and Food Service Industry are GRDP and Inflation. Both have positive and significant effects, meaning that *ceteris paribus* if there is an increase in GRDP and inflation will increase the number of workers in the industry, and vice versa. (2) Provincial Minimum Wage Factor and Number of Business Units/Companies insignificantly influence employment absorption. (3) The best model of regression estimation is the Random Effect Model, all independent variables have a direction/sign that is in accordance with the theory, with a clear regression estimation power $R^2 = 0.692415$, meaning 69% of the variation of the independent variable is able to explain the variation of the dependent variable, while the rest 31% is influenced by other variables outside the model used. For example capital, labor skills, technology, a conducive environment, and so on. (4) The role of industry in the development of tourism, measured based on: (a) Its contribution to the regional economy (2014-2018) averaged 7.43% per year, with the highest contribution of Bali (23.17%) and DIY (10.21 %), higher than at the national level 3.41%. (b) Absorption of labor per business unit per year is an average of 497 people with growth in the workforce working in industry on average 14.22% per year. (c) Employment elasticity of 0.63 < 1 (inelastic), indicating that labor absorption is still the use of essential (main) production factors in the industry (still labor intensive). (d) Labor productivity is an average of IDR 84.990 million per workforce, still higher than the national average in 2018 of IDR 53.840 million per workforce.

Limitations in this study are the number of workers and the number of business units in the 2014 observation year tend to be greater than in other observation years, because there are differences in the classification criteria of industries in the economy. In 2014, it still used 9

sectors/industries while in 2015 and so on it used a classification of 17 industries. In addition, the industrial category is not clearly separated between large, medium and small industries.

The policy implications in this study are: (1) to increase output of goods and services at the regional level, efforts are needed to encourage a multiplier effect of the economy (in the areas of consumption, investment, government spending, and export-import) in order to accelerate higher economic growth and continue: (2) an increase in employment will occur automatically, if the inflation rate is quite conducive (not too high 3%-4% annually). A favorable inflation rate is indeed needed by the business world to motivate even greater increases in output, which will increase the use of labor production factors; (3) regarding the stipulation of Provincial Minimum Wages (PMW), a prudent policy is indeed needed, bearing in mind that the determination of a relatively high PMW will actually result in reducing the ability of employment absorption in business units which in turn will result in workers who want to work cannot be absorbed (unemployment occurs).

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