
Investment Contribution in Improving Community Welfare through Employment Opportunities

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Abstract

Labor problems are not only limited to demographic problems but problems that cover various dimensions, the extreme point is that high unemployment rates can create problems at the social and economic levels. So this research aims to examine how the role of investment contributions, economic growth, education, infrastructure, and wages in influencing community welfare through employment opportunities. This research study was conducted using a literature review approach. The results show that the variables that affect the level of community welfare through employment opportunities are investment, economic growth, education, infrastructure. Another particular thing in increasing employment opportunities is that the government has an important role in the openness of a country in order to be able to prosper its people. Meanwhile, wages have a negative relationship in influencing employment opportunities.

Keywords: *Employment Opportunities, Investment, Education, Infrastructure, Wages*

INTRODUCTION

Economic development is a structural change as an effort to increase productivity and create employment opportunities that can ultimately increase people's income. The purpose of development itself is a form of effort to create a just, prosperous, and able to improve the standard of living of the community as a form of welfare. Efforts made by the government in achieving development goals are by equalizing income, alleviating poverty and providing new jobs for the community. However, not all people have the opportunity to be involved in the development process and activities, so there are still some people who are unable to get out of poverty.

Changes in the macroeconomic environment in almost all developing countries, the rapid increase in unemployment is caused by weak labor demand. The labor market is strongly controlled by supply and demand, thus the labor market is different from most other markets because the demand for labor is derived demand, the demand for output produced will greatly affect the demand for labor.

Workers or human resources are inseparably linked to employment. This factor is because human resources are the most absolute need in terms of production factors. Human resources can even have a positive or negative effect on an area in terms of increasing and growing the economy in terms of labor absorption.

The problem of employment is not just a demographic problem but one that falls within the realm of Economics. Concerns about population growth that is as fast as the measuring degree but the growth of foodstuffs is only as fast as the counting degree. This concern led many countries to impose restrictions on the birth rate. The sustainability of the problem continues, although birth restrictions in many countries have given significant results, but the world's population has now reached such a large number, around 7 billion people. According to Todaro (2000:116), a larger labor force will increase productive labor, while greater growth will increase the size of the domestic market. This condition can occur if the productive labor can be absorbed in the available job opportunities, it will create a problem if the growth of labor far exceeds the available job opportunities, it will create unemployment.

So that the existence of investment activities or domestic or foreign investment in a region is expected to have an impact on the welfare of the community, where the investment activities can absorb a lot of labor and reduce unemployment, so that people have income to meet their needs. states that people who were previously unemployed will get jobs and income with investment activities. Along with the increase in income, people's purchasing power, which is part of the HDI component, will also increase.

Growth supported by investment can be considered capable of increasing productivity and contributing to labor absorption. With the absorption of labor in the labor market, it will reduce the unemployment rate. According to Mankiw, investment is the element of GDP that changes most frequently. When spending on goods and services declines during a recession, most of the decline has a correlation with the fall in investment spending. Joseph G Nellis and David Parker (Susanti, 2000), state that private investment is a major component of aggregate demand, but the relationship between national income and investment expenditure is more complex than the relationship between consumption and national income.

The existence of investment will be able to encourage the creation of new capital goods, which will absorb new production factors so that it contributes to the creation of new jobs or employment opportunities which are ultimately able to absorb labor and are able to reduce unemployment (Prasojo, 2009). Thus, the addition of new output and income to the production factor will increase national output so that there will be an increase in economic growth.

Linkage Investment as one of the factors of production is a very important factor in increasing production capacity or the number of industries. This increase in investment is strongly influenced by demand for production products both domestic demand. The demand is the market and this affects the number of workers in production activities.

Sustainable economic growth and employment are among the most pressing issues for governments of all countries, and foreign investment is used to address

these challenges for developing countries. Investment is essential for sustainable growth and development. It contributes to the expansion of the productive potential of the economy, job creation and income generation (Ergashev, at all. 2021).

Investment aims to maximize total output at one point in time or one period of time. The amount of investment that is carried out or realized plays a very important role in the absorption of labor in one community and the lack of investment will cause unemployment. The existence of investment in society will first provide and increase employment opportunities so that people's income will increase. The increase in income will increase public consumption, so that entrepreneurs will be encouraged to increase production by expanding their companies, both by increasing their materials, labor and other factors of production. So this research aims to analyze the extent of the contribution to community welfare through investment, economic growth, infrastructure, education levels, and also wages through the literature approach presented.

LITERATURE REVIEW

Labor is one of the important factors in a production process besides land, raw materials, water and others. Labor is a person who moves production factors so as to produce various goods and services. There are several definitions of labor, namely according to Law No. 25 of 1997, labor is a loyal male and female person who will or is doing work and is able to work properly and correctly inside or outside of labor relations to produce goods and services to meet the needs of society. Labor has several definitions, the first is labor, which is a person's work or service effort given in a production process, and sees the quality of a person's efforts to produce goods and services within a certain period of time. Second, labor is a person who is able to work to provide goods and services, able to carry out those that have economic value, for example activities that produce valuable goods and can meet their needs (Soelistyo, 2018).

Investment is basically the beginning of economic development activities. Investment can be made by the private sector, the government or cooperation between the private sector and the government. Investment is a way that the government is able to do as an effort to increase economic growth and in the long run can improve the standard of living of its people. Investment is a fundamental factor for economic activity. Domestic investment is not sufficient for development. So there is a very large need for foreign investment. No country can achieve optimal economic growth without foreign capital. Foreign capital is needed to complete its growth objectives. (Ronismita, Swapnamoyee, 2020).

It is commonly known that transportation plays a very important role in the socio-economic development of any country in the world (Maparu & Mazumder, 2021; Muvawala et al., 2021; Council of Economic Advisors (CEA), 2018; Wang et al., 2020). So it can be said that linkages can provide opportunities for increased economic development which will have an impact on improving welfare through employment.

In traditional theory, trade is a simple mechanism that explains how employment and wages of domestic workers are supported due to a decrease in

demand for jobs, for example, an increase in imports and substitution effects. On the other hand, the increase in employment and wages for workers producing exported goods and services is known as the scale effect. This simple mechanism has been substantially reconsidered due to the increasing complexity of production fragmentation along global value chains (Taglioni & Winkler, 2016; World Bank & World Trade Organization, 2019).

Economic growth (Purba, Nainggolan, Panjaitan. 2022) Economic growth is the most prioritized thing, adopted from growth theory says that by prioritizing economic growth, there will automatically be a trickle-down effect, so that the poor or low-income groups will get splashes of income from high-income groups, either through a donation system or a progressive taxation system for the rich accompanied by a subsidy system for the poor.

Human capital theory proposed by Becker explains that education can teach skills that can increase labor productivity so that it will increase income as well. The National Education System Law (UUSPN) No. 20 of 2003, Education is a conscious and planned effort to create a learning atmosphere and learning process so that students actively develop their potential to have spiritual strength, religion, self-control, personality, intelligence, noble character, and skills needed by themselves, society, nation and state. Education is an investment capital to improve the quality of the population. Someone who has education will be able to develop and strive to increase their productivity. Education is an indicator that can affect employment opportunities.

METHOD

The research in this paper is library research. Library research is a type of research used in collecting information and data in depth through various literatures, books, notes, magazines, and other references (Dits Prasanti, 2020). The method in this research is to use a literature review. Literature review is a written summary of articles from journals, books, and other documents that describe theories and information, both past and present (Rasdi & Kurniawan, 2019). Data are taken from references or reference materials from various sources of scientific writing, such as research journals, books, bulletins, news in the published media, and credible websites that are in accordance with the research topic. The number of scientific articles conducted in this study was 40 research articles related to employment opportunities (analysis conducted on May 20, 2023). The method used in collecting data and information in this study is a literature study that uses secondary data. This secondary data is data that supports the needs of primary data such as books, literature and readings related to this study (Sugiyono, 2017).

RESULTS AND DISCUSSION

A. Investment

A country's level of trade openness, as measured by the volume of imports and exports, can influence the interest of foreign investors. Countries with liberal trade

policies tend to attract foreign investors as they provide greater access to international markets.

The Relationship between FDI and Economic Growth: Previous research shows that FDI can make a positive contribution to economic growth. FDI can bring capital, technology, efficient management, and access to international markets, which can stimulate economic activity, create jobs, and increase productivity. (Ford et al., 2008) FDI can impact different sectors in India. Some of the sectors that often attract foreign investment are manufacturing, information technology, financial services, infrastructure, and service sectors such as hospitality and tourism. Foreign investment in these sectors can create both direct and indirect employment opportunities.

It is the secondary sector after the services sector, which attracts more FDI and creates massive employment in India. Railways, ports, sea transportation, automobiles and air transportation are the major beneficiary industries of FDI in India. Among these industries, the automobile sector received the maximum FDI and provided employment to more than 25 million people directly or indirectly in the year under review

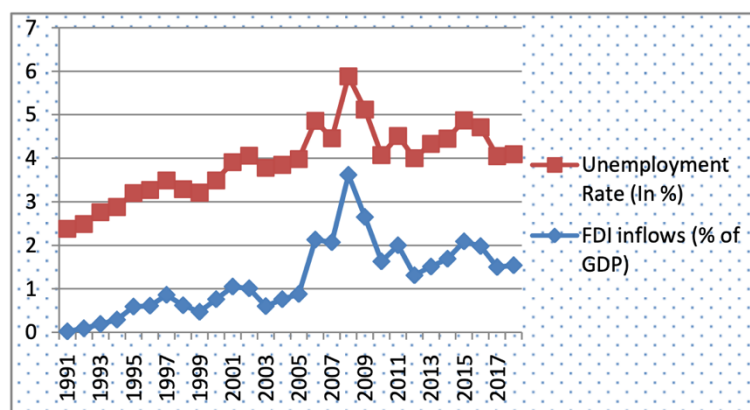


Figure 1. FDI inflows and Unemployment rate in India from the year 1991 to 2018 in percentages.

Source: Author's own compilation from World Bank Database

2016 in India, while 9% of employment opportunities are generated by the transportation industry including air and sea transportation in India (Mishra and Palit, 2020). The results of this study are in line with the research conducted (Rakhmatillo, at All. 2021).

B. GDP Growth and Employment Opportunities

The analysis shows that Uzbekistan achieved positive GDP growth results in selected years. In 2007, the country's GDP reached its peak, growing by 9.5 percent. Despite the pandemic, Uzbekistan's GDP growth rate in 2020 remained positive (1.6 percent).

The pandemic had a serious impact on employment in Uzbekistan, as in the rest of the world. In 2020, the employment rate (66.1%) decreased by 1.5

percentage points from the 2010-2019 average (67.6%). Although the number of employed people continued to increase until 2019, in 2020 this trend was broken. In 2020, the number of employed people reached 97.8% compared to 2019. The pandemic has not only led to job losses, but also a decrease in the economic activity level of the population. In 2019 the economic activity rate was 75.0%, while in 2020 it was 73.9%.

The results of the study (Rakhmatillo, at All. 2021) show that the role of economic growth is led by investment. This shows that in the long run FDI contributes 59.7% of economic growth. So it has a huge impact on employment and the amount of employment exceeds the sum of FDI and GDP. Uzbekistan's cheap and large labor force is one of the incentives for FDI, which indicates the adequacy of these empirical findings. In addition, the encouragement of foreign direct investment more strongly contributes to economic growth to employment. Meanwhile, it is also explained that economic growth has a direct influence on employment.

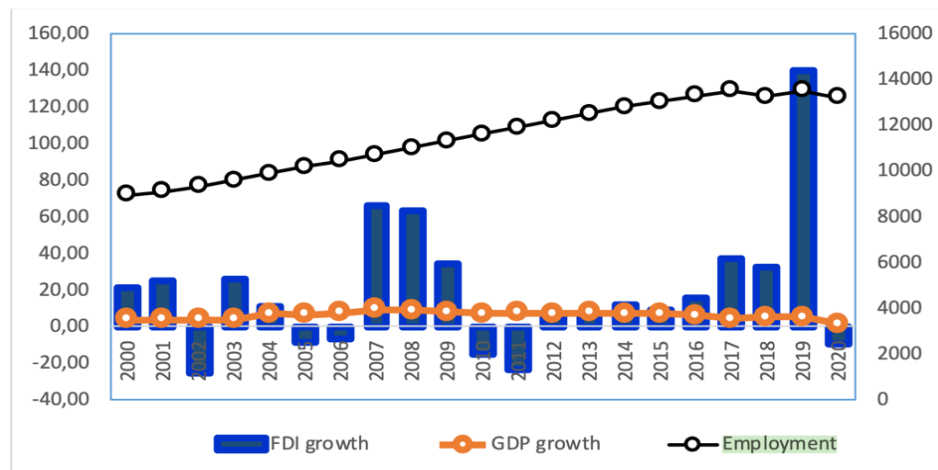


Figure 2. FDI, GDP and Employment change dynamics
 Source: Author's own compilation from World Bank Database

C. Level of Education on Employment Opportunities

The research looked at how policies and programs aimed at improving employment opportunities for the Roma minority in Romania. This could include training programs, support for job searches, incentives for companies to recruit members of the Roma community, and measures to address discrimination in the workplace. Education is key to better access to the labor market (Patache and Negurita, 2020).

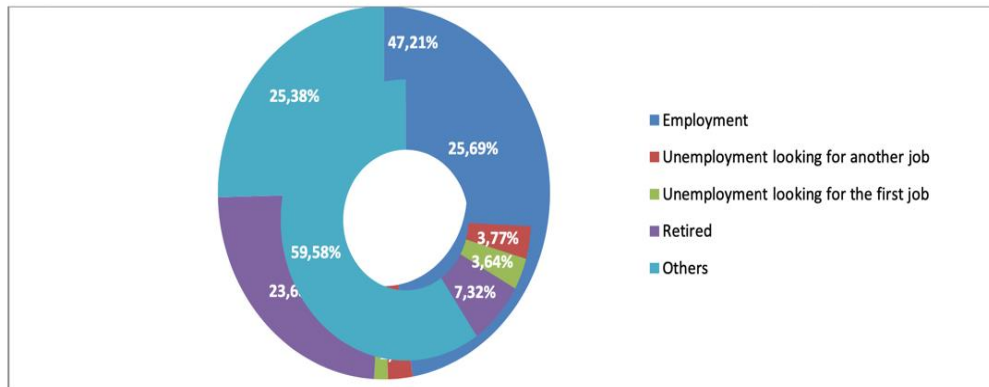


Figure 3. Structure of employment of Romanian population, 10 years and over, belonging to minority in 2011

Source: Data processed

The results of further research found (Rahman, 2013) that universities have a correlation to employment opportunities this can include measuring the level of job placement, success in obtaining jobs that are in accordance with the field of study, and improving the skills and career preparation of students so that there is an adjustment to the needs of the job competition market.

D. Infrastructure on Employment Opportunities

Research can evaluate the relationship between road infrastructure development and employment levels in a country. Good road infrastructure can improve accessibility, connect remote areas to the labor market, and encourage the growth of related sectors that create new jobs. The results of this study seem to indicate that paved road improvement policies generate greater impacts on growth and employment (Laborda and Sotelsek, 2019).

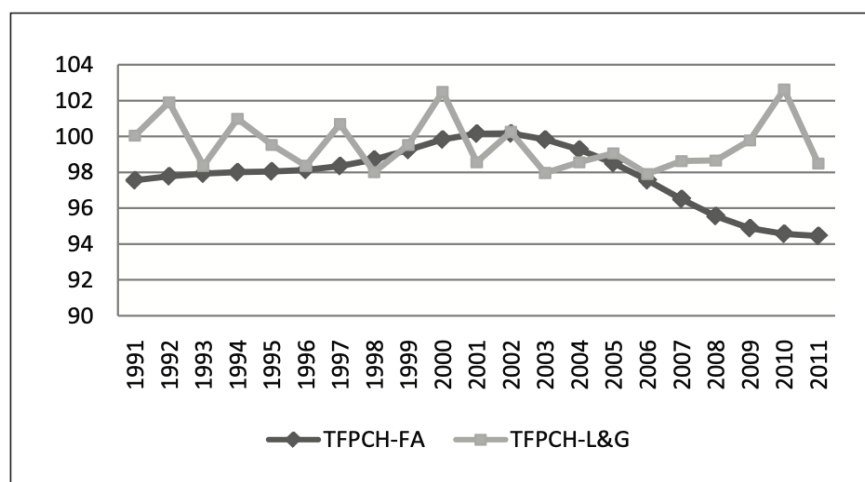


Figure 4. TFP: Means by Year (Total Sample)

Source: Authors' elaboration using the world bank (2014) and Fernandez-Arias (2014) database

This research is in line with research conducted (Yu and Luu, 2022) in this study looking at the impact of transportation infrastructure development on certain regions in Vietnam and its impact on employment. The development of adequate transportation infrastructure can encourage investment and economic growth in these areas, which in turn can create new jobs.

E. Wage Rate on Employment Opportunities

Based on this research, it aims to analyze the relationship between global value chains and labor markets. This can involve research on how integration in global value chains affects wages and employment in different industrial sectors, both in developed and developing countries. Results from (Szymczak and Derlacz, 2022) find that the relative position of GVCs is negatively correlated with wages and employment and that the GVC participation effect depends on whether backward or forward linkages are considered. Moreover, we find heterogeneity across both countries (middle versus high income) and sectors (manufacturing versus services). In particular, the labor market effects of GVC involvement differ from those generated by traditional domestic trade.

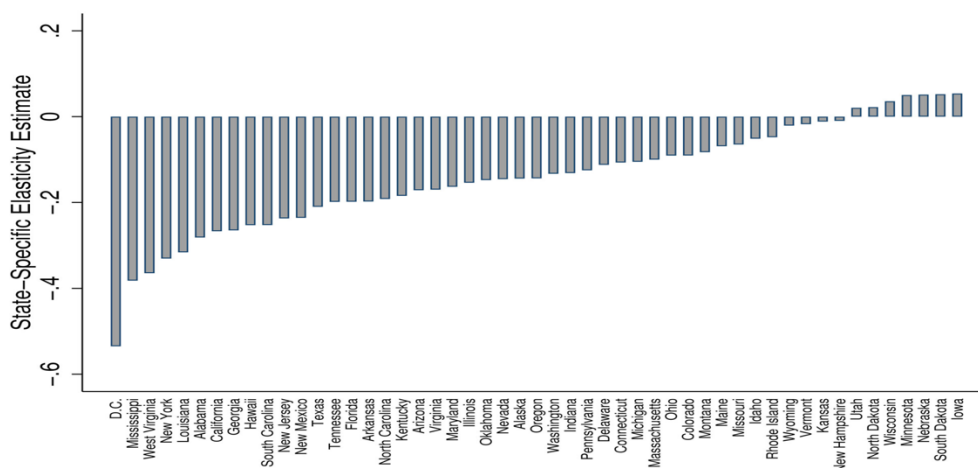


Figure 5. State-specific elasticity estimates. NOTES: GSC state-specific estimates.
 Source: Data processed

Similar results were encountered by (Powell, 2021) where the GSC estimates found give an elasticity estimate of -0.178 and can statistically reject that the effect is average. Thus, while the equivalent two-way fixed effects estimator with slope heterogeneity yields a positive elasticity estimate, the GSC more flexibly accounts for differences in the underlying trend of the outcome and estimates that minimum wage increases reduce the level of employment.

CONCLUSION

In conclusion, investment, education level and infrastructure are interrelated and can affect employment opportunities. Appropriate investment can create new

jobs, while high education levels and good infrastructure can improve labor qualifications and expand access to employment opportunities. Therefore, comprehensive efforts in these five areas can contribute to a sustainable increase in employment opportunities.

Investment is a very important driving factor for a country that starts from the openness of the country to push on the progress of sustainable economic growth. Investment has the potential to accelerate the creation of new jobs, such as the manufacturing sector or the service sector, which can directly increase employment opportunities.

Education should not only look at quality but also at the stages of improving the skills and knowledge of individuals, which in turn increases their competitiveness in the labor market through access to practical as well as theoretical support training. Adequate investment in education can create a skilled and trained workforce, which is expected to meet the needs of the labor market and thus provide a boost to purchasing power, thereby increasing economic growth.

In addition, good infrastructure is instrumental in creating employment opportunities. Reliable and efficient transportation and communication infrastructure and other public facilities can improve connectivity between regions, facilitate the movement of goods and services so that it has an attraction for investors to invest in the country, which in turn can support the growth of sectors that require labor.

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