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Implementation of SDGs 8: Decent Work and Economic Growth on the Dynamics of Labor Demand in South Sumatra

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ABSTRACT

This study aims to analyze the implementation of Sustainable Development Goals 8, Decent Work and Economic Growth, on the dynamics of labor demand in South Sumatra, specifically Palembang, Prabumulih, Ogan Komering Ilir, Ogan Komering Ulu, Banyuasin , Musi Banyuasin , and Muara Enim, as a representation of the economic structure in South Sumatra. This study uses panel data from the Central Bureau of Statistics. 2010–2024 period which includes the number of workers in the agricultural, industrial and service sectors based on education level, regional minimum wage, average length of schooling, and Gross Regional Domestic Product Sectoral. The analysis shows that the implementation of SDGs 8 indicators has a significant impact on the dynamics of labor demand in South Sumatra. Increases in the regional minimum wage and sectoral Gross Regional Domestic Product have been shown to encourage increased labor absorption, especially among those with secondary and higher education. Conversely, the agricultural sector tends to experience a decline in labor demand along with shifts in the regional economic structure. This finding aligns with the theory of endogenous growth and confirms that the successful implementation of SDGs 8 requires improvements in education quality and productivity to create inclusive and sustainable economic growth at the regional level.

INTRODUCTION

The diverse economic landscape of South Sumatra Province is the reason for this research. Sustainable development is a global agenda outlined in the Sustainable Development Goals (SDGs), adopted by the United Nations (UN) in 2015 as a continuation of the Millennium Development Goals (MDGs). These goals encompass 17 key pillars, one of which is SDG 8 on Decent Work and Economic Growth (Chigbu & Nekhwevha, 2023) .

Quoted from (Dadhania & Parsana, 2025) This goal emphasizes the importance of inclusive, sustainable, and equitable economic growth, as well as the creation of productive employment opportunities for all. Therefore, Indonesia is committed to integrating the SDGs into national development policies through Presidential Regulation Number 111 of 2022 concerning the Implementation of the Sustainable Development Goals.

The objectives of SDGs 8 are interpreted in various regional policies to improve the quality of work, reduce unemployment rates, and strengthen labor productivity. (Walsh et al. 2022) . However, realizing this goal faces different challenges in each region, including South Sumatra Province. South Sumatra is a province with a diverse economic structure, currently undergoing a structural transformation from the primary sector (agriculture) to the secondary (manufacturing industry) and tertiary (services) sectors.

The highest growth is seen in the industrial sector, particularly in areas with high economic activity, such as Palembang, Prabumulih, and Muara Enim. In Palembang, the industrial sector surged sharply in 2024, demonstrating accelerated industrialization and the increasing contribution of the secondary sector to the regional economic structure. Meanwhile, the services sector also demonstrated rapid growth as a pillar of the modern economy, particularly in urban areas.

Despite fluctuations, all three sectors experienced a moderate upward trend from 2020 to 2024, with the industrial sector showing the most stable and robust growth. This indicates a shift in the region's economic structure, with economic activity shifting from the primary sector (agriculture) to the secondary sector (industry) as investment and development of local industrial estates increase.

From the agricultural side, there is a relative decline compared to the industrial sector. This is in line with the general condition of South Sumatra, where the agricultural sector's contribution to GRDP decreased from 21.4% in 2015 to 18.3% in 2023 (Central Statistics Agency of South Sumatra Province, 2024) . This shift illustrates the process of structural economic transformation, as explained by the theory (Lewis, 2014) , that with development, the workforce from traditional sectors such as agriculture will shift to modern sectors such as industry and services, which offer higher productivity and wages.

While the service sector has shown slower growth, this phenomenon can be attributed to the characteristics of service activities in regions such as OKU, which are still dominated by conventional services (trade, transportation, and government services) that are not yet fully labor-intensive or technology-based. Nevertheless, the growth trend is positive, indicating a growing demand for labor in the tertiary sector in line with increasing urbanization and regional economic activity. This trend reinforces research findings (Yunisvita, 2011). South Sumatra is experiencing a shift in its workforce structure from agriculture to industry and services, part of the process toward sustainable economic growth as mandated by SDGs Goal 8, Decent Work and Economic Growth. However, this shift in economic structure has not been fully accompanied by improvements in workforce quality. Most increases in labor

productivity and education quality tend to encourage absorption of the formal workforce. (Palindangan & Bakar, 2021)

Based on these conditions, this study is important to analyze the implementation of SDGs 8 on the dynamics of labor demand in South Sumatra, with a focus on seven observation areas, namely Palembang, Prabumulih, OKU, OKI, Banyuasin, Muba and Muara Enim. By using panel data for the period 2010–2024 which includes variables of the number of workers based on education level, UMR and sectoral GRDP, this study is expected to provide empirical evidence regarding the extent to which the implementation of SDGs 8 encourages the creation of decent work and sustainable regional economic growth in accordance with the direction of SDGs 8 development.

LITERATURE REVIEW

Labor demand

Labor demand is a derived economic concept, meaning its demand depends on the demand for goods and services produced. Several factors influence labor demand, including the level of economic activity, labor productivity, labor costs, and the availability of labor substitutes. Technological advances can increase labor productivity, leading to increased labor demand. However, (Hidayat et al. 2025) note that automation can also replace labor in some cases, leading to decreased demand.

Research (Bossler & Popp, 2024) found that labor demand is significantly influenced by labor market tightness and pre-match hiring costs. The estimation results indicate that firms tend to limit the expansion of labor demand when the labor market is tight, as the costs and risks of finding suitable workers increase. Using micro-data from German firms, this study confirms a significant negative relationship between wage levels and labor demand, consistent with classical labor demand theory (Hicks–Marshall). However, this study adds a new dimension: institutional factors and market frictions also play a significant role in limiting the elasticity of labor demand.

Figure 1. Number of sectoral workforce in Prabumulih

Source: BPS (2025)

Figure 1 above shows the development of the sectoral workforce in Prabumulih City during the 2020–2024 period, reflecting the employment dynamics in a region with a base in the oil and gas and plantation industries. In general, the industrial sector has been the highest absorber of labor each year, followed by the agricultural sector, while the services sector ranks third with a lower number. In terms of economic structure, the growth of the industrial workforce in Prabumulih is in line with increasing investment in the energy and mining sectors, which contribute significantly

to local employment. The agricultural sector also remains important, particularly in the suburbs, which still rely on rubber and oil palm plantations.

Meanwhile, the gradual increase in the services sector indicates an expansion of urban economic activities, such as trade, transportation, and public services. This trend aligns with the findings of the South Sumatra Statistics Agency (BPS) (2024), which showed that industrial-based cities like Prabumulih experienced growth in the tertiary workforce as a result of industrialization. In general, there is a visible trend of increasing employment across all economic sectors, particularly in industry and agriculture. The industrial sector is the largest absorber of labor, increasing from 9.31 million people in 2020 to 11.42 million people in 2024. This increase reflects the dominant role of the industrial sector in Muara Enim, known as an area with high mining and energy (coal and natural gas) activity, as well as the emerging manufacturing sector that supports the energy supply chain.

Meanwhile, the agricultural sector also showed an increase from 5.80 million people in 2020 to 7.30 million people in 2024, reflecting that even though industrialization continues, the agricultural sector remains an important livelihood base for the community, especially in rural areas. The service sector, although having a smaller workforce than the other two sectors, also experienced positive growth from 691 thousand people in 2020 to 913 thousand people in 2024. This shows that the Muara Enim economy is starting to move more diversified, where trade, transportation, and public service activities increase along with regional economic growth. This pattern reflects the process of structural transformation of the economy towards a balance between the primary, secondary, and tertiary sectors as described by (Kuznets, 1966) and (Lewis, 2014) , and is in line with the direction of SDGs 8 to encourage inclusive economic growth and the creation of decent work at the regional level.

The current labor demand situation in South Sumatra is that the agriculture, forestry, and fisheries sector remains the largest absorber of labor in South Sumatra, particularly in several agricultural hubs such as OKI and OKU, Banyuasin, and Muara Enim. The agricultural sector recorded an increase in employment of 127,570 people, becoming a major contributor to the region's total workforce growth. (South Sumatra Provincial Government, 2023) However, a large portion of the agricultural workforce is also informal. The processing/manufacturing and services/trade sectors also show labor demand, albeit on a more moderate scale than the agricultural sector.

In Alfred Marshall's (1890) classic view, the demand for labor is a derived demand, arising from the demand for goods and services produced by that labor force. This view is relevant to the dynamics of South Sumatra's economic sector, where increasing demand in the service and industrial sectors has driven labor absorption in those sectors, while stagnant growth in the agricultural sector has slowed labor demand. (Sunley, 2017)

This view is consistent with your research, which shows that labor dynamics in South Sumatra have gradually evolved along with the transformation of the economic structure from agriculture to industry and services. Marshall's theory provides a strong basis for suggesting that changes in labor demand in a region are determined not only by wages but also by changes in output demand, sector productivity, and the regional economy's ability to adapt to structural changes.

Research conducted (Sumedi, 2012) provides a good foundation for understanding how macroeconomic factors contribute to economic growth and labor demand. Increased exports and tax revenues can boost investment, which has a direct impact on job creation. Sectors that grow rapidly due to increased exports typically require more labor, thus increasing labor demand in the market.

Decent Work

Sustainable Development Goal (SDG 8) is one of the 17 Sustainable Development Goals established by the United Nations (UN) in 2015 through the document "Transforming Our World: The 2030 Agenda for Sustainable Development." (Walsh et al., 2022) SDG 8 emphasizes the need for inclusive economic growth and the creation of productive and decent work for all. This paper combines targets on GRDP growth, linking wage policy indicators (UMR), education (RLS), and sectoral labor absorption in South Sumatra to examine their implementation in the observed regions over a 15-year period, even before the SDGs program began, to obtain supporting data to strengthen the research findings.

SDGs 8 emphasizes the importance of Decent Work and Economic Growth as the foundation for inclusive and sustainable development (Maniam et al., 2021) . SDGs 8 integrates the relationship between economic growth and employment, where development success is not only measured through increasing GRDP, but also the extent to which such growth is able to create productive and decent jobs. The implementation of SDG 8 at the regional level, especially in South Sumatra Province, is highly dependent on the dynamics of the economic structure and labor market conditions in each region.

The term *Decent Work* was first introduced by the International Labour Organization (ILO) in 1999. (ILO, 2018) , decent work includes productive employment opportunities and provides a fair income, workplace security, social protection for workers and their families, freedom of association, and equal opportunities for men and women. The main goal of decent work is to create a balance between economic efficiency and social justice, and to ensure that economic growth results in an increase in welfare that is evenly distributed.

According to the ILO, decent work encompasses four main dimensions: employment opportunities *,* which demonstrates that everyone has access to productive employment. Work rights (Agusalim & Novianti, 2023) , encompass several aspects, including protection against discrimination and exploitation. Social protection *encompasses* health insurance, pensions, and adequate wages, defined in this paper as the minimum wage. The fourth dimension, social dialogue, reflects the involvement of workers and employers in policy formulation.

Alamsyahbana, 2024, regarding circular solutions for economic growth and employment, said the same thing, stating that the Regional Minimum Wage (UMR) is a minimum wage standard set by the regional government as a safety net for workers to earn an income capable of meeting decent living needs (KHL). (Alamsyahbana et al., 2024) Based on Government Regulation Number 36 of 2021 concerning Wages **,** the minimum wage is the lowest monthly wage consisting of wages without allowances or basic wages including fixed allowances. From a journal written by (Nafiah, 2020) , the UMR is a measure of decent work, which is adjusted to the production costs of companies and the government as an effort to equalize income and improve community welfare. In general, setting a minimum wage above the market equilibrium point will certainly reduce employment opportunities. (Fadilah, 2019)

In a journal written by (Sebyakto et al., 2016) , about Wages, Economic Growth and Labor Demand in South Sumatra Province, Indonesia, it was concluded that to advance labor demand in South Sumatra, there needs to be a focus on inclusive economic growth, balanced wage increases, and strengthening policies that support sectors with high potential in creating jobs (Sari & Setyowati, 2022) . This is in line with research results showing that the higher a person's level of education with a proxy for the average length of schooling, the higher the minimum wage for labor will be.

Referring to the journal (Aziziah & Ekawaty, 2023) , the regional minimum wage (UMR) has a positive and significant effect on employment opportunities. This strongly supports the UMR's potential as an indicator of decent work. Therefore, this study serves as a reference, specifically for the observation areas of OKU, OKI, Muara Enim, Lahat, Musi Banyuasin, Banyuasin, Palembang, and Prabumulih.

Figure 2. South Sumatra Regional Minimum Wage in 2024

Regency/City	UMR Regency/City (Rupiah)
OKU	3456874
OKI	3456874
Musi Banyuasin	3547745
Banyuasin	3488289
Muara Enim	3538556
Palembang	3677591
Prabumulih	3456874

Source: BPS 2024. *(Data processed)*

In Figure 2 , the minimum wage (UMR) is quite high, in accordance with the policies of each regional government, which illustrates that SDGs 8 in South Sumatra continues to show its implementation. In 2025, the UMR in Palembang City is the highest, this is because Palembang City is the center of the economy, industry, and services in South Sumatra province. As the capital, Palembang has a higher cost of living, as well as being the location of a concentration of large companies, industrial areas, and modern service sectors that require a workforce with higher skills.

As written by (Juli et al. , 2025) dense economic activity drives an increase in labor demand, so that local governments set a higher UMR to adjust to the decent living standards (KHL). Rahmat, 2023 also said that the implementation of SDGs 8 can increase urbanization and rapid infrastructure development also adds pressure on the prices of goods and services, making Palembang have a more competitive wage structure compared to other districts in South Sumatra. (Rahmat Handoyo, Sofie, 2023) Meanwhile, Prabumulih City, OKU and OKI, tended to have lower wages compared to several other observed regencies/cities. This is thought to be due to several reasons, such as average economic growth and labor absorption. However, the minimum wage (UMR) is determined by an agreement between the government, employers, and labor unions.

Labor market policies, particularly minimum wage policies, also influence labor absorption (Collins et al., 2021) , explaining that minimum wage increases can improve worker welfare, but excessive increases can reduce labor demand in labor-intensive sectors. In the Indonesian context, the impact of minimum wages varies across regions; in areas with capital-intensive industrial structures, minimum wage increases are often accompanied by a reduction in the formal workforce (Marselino et al. , 2024) .

Economic growth

Economic growth is the process of increasing the production capacity of a country or region in the long term to produce goods and services (Ghazy et al. , 2025) . In this study, there is Schumpeter's theory which emphasizes innovation. done by entrepreneurs and said that technological progress is very much determined by the spirit of *entrepreneurship* in people who are able to see opportunities and dare to take risks in opening new businesses or expanding existing ones. (Schumpeter, 1934)

Economic growth is usually measured by Gross Domestic Product (GDP) or Gross Regional Domestic Product (GRDP). Research conducted by Wahyuni et al.

(2024) indicates that economic growth indicates the extent to which economic activity increases over time and how development outcomes improve people's welfare. Theoretically, GRDP is a derivative of the concept of Gross Domestic Product (GDP) as explained in classical and modern economic growth theories. (Todaro & Smith, 2020) . GRDP shows the level of economic activity at the regional level and serves as a tool to assess the contribution of economic sectors such as agriculture, industry, and services to the local economy.

Research conducted by Palindangan & Bakar (2021) found that high GRDP growth indicates increased production capacity and regional economic efficiency, which in turn impacts increased community income and job creation. Therefore, GRDP analysis is often used as a basis for evaluating regional economic policies, including employment policies and the implementation of SDG 8 on decent work and economic growth. From a micro perspective, economic growth theory also helps governments understand growth dynamics in smaller economic sectors (Yolanda Kirana Sari et al., 2024) . This theory encompasses aspects such as technological innovation, capital accumulation, and structural change in the economy.

Economic growth is also inseparable from the world of education. In the journal (Lavero, 2021) , education plays a central role in the theory of economic growth because it functions as a human capital builder. capital that increases labor productivity and innovation. In endogenous growth theory, education is viewed as a long-term investment that expands a society's capacity to create, absorb, and apply new technologies. This accelerates economic growth because an educated workforce is more efficient at managing resources and adapting to changes in the economic structure toward high-value-added sectors.

Furthermore, education plays a crucial role in supporting decent work. Human capital theory (Hanushek & Wößmann, 2021) states that the higher a person's education, the greater their chances of obtaining productive employment. Mean Years of Schooling (MES) is an important indicator used to describe the level of education of the population in a region. (Chesi Oktanira, 2024) A high level of education, as reflected in an increasing MES, is generally positively correlated with the ability to adapt to technological change, workforce participation in the modern sector, and better income. Therefore, improving MES is a key focus in regional development policies and the implementation of Sustainable Development Goals (SDGs) 4 on Quality Education and SDG 8 on Decent Work and Economic Growth.

Figure 3 Average length of schooling

Source: *BPS.2024 (processed data)*

Figure 3 shows the average length of schooling in the observed regencies and cities, namely Ogan Komering Ulu, Ogan Komering Ilir, Muara Enim, Musi Banyuasin,

Banyuasin, Palembang, and Prabumulih, with varying values for each region. The highest value, 10.93, is shown for Palembang, while the lowest value, 7.19, is shown for Muara Enim. The average length of schooling is an important indicator that reflects the quality of human resources (HR) in a region. The higher the average length of schooling, the higher the level of education of its population (De la Fuente, 2011) . A high average length of schooling can indicate the availability of a qualified workforce ready to fill economic sectors that require expertise. This can ultimately drive the rate of economic growth and reduce the unemployment rate, because high economic growth is generally directly proportional to the increasing demand for labor. (Siswati & Hermawati, 2018) .

METHODOLOGY

The regression analysis used in this study is panel data regression (Supendi, 2022). Panel data consists of a combination of cross-sectional and time series data collected over a period of time with the same object. The cross-sectional data serve as observation samples for eight regencies/cities in South Sumatra: seven regencies: Ogan Komering Ulu (OKU), Ogan Komering Ilir (OKI), Banyuasin, Musi Banyuasin (Muba), Muara Enim, and two cities: Palembang and Prabumulih.

The research period used in this study is 2010–2024, chosen because it covers regional economic development during the implementation of the SDGs in Indonesia, specifically SDG 8, namely Decent Work and Economic Growth. The type of data used is secondary, quantitative, including cross-sectional and time-series data. (Sugiyono, 2020)

Data were obtained from the Central Statistics Agency (BPS) of the Province and Regency/City in South Sumatra, with the type of data used being the sectoral Gross Regional Domestic Product (GRDP) at constant prices. The number of sectoral workers (agriculture, industry, and services), Regional Minimum Wage (UMR), and Average Length of Schooling (RLS) in the eight observed regencies/cities over a 15-year period since 2010-2024.

Descriptive analysis is used to describe the condition and development of variables each year, including sectoral GRDP, minimum regional minimum wage (UMR), and sectoral labor, during the 2010–2024 period. The results are presented in tables, graphs, and inter-annual growth trends. (Kuncoro, 2013) Descriptive analysis serves to explain economic phenomena through systematic data presentation before statistical testing is performed. To determine the relationship between variables, the author used panel data regression analysis, a combination of cross-sectional and time-series data. This method was chosen because it can simultaneously capture variations between regions and between years.

Before estimating the panel data regression model, several tests were conducted, namely selecting the best model among the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) using the Chow test, Hausman test, and Lagrange multiplier test, classical assumption test, and hypothesis testing. The Panel Least Squares (PLS) estimation method uses Eviews 12, with the following equation:

1. Agricultural sector

$$JTKS1 = \beta\, JTKS1(t-1) + PDRB1it ++ UMRit + RLSit + \varepsilon it \quad (1)$$

2. Industrial Sector

$$JTKS2 = \beta\, JTKS2(t-1) + PDRB2it ++ UMRit + RLSit + \varepsilon it \quad (2)$$

3. Service Sector

$$JTKS3 = \beta\, JTKS3(t-1) + PDRB3it ++ UMRit + RLSit + \varepsilon it \quad (3)$$

Where: β is a constant; JTKS is the number of agricultural, industrial and service sector workers), GRDP of the Agricultural, industrial, and service sectors, RLS is the average length of schooling; i is the cross section; t is the time series; and e is the error term. Because there are differences in the units and magnitudes of the independent variables in the regression equation, it must be built using a natural logarithm model.

In panel data regression, there are three models that can be used: the common effects model, the fixed effects model, and the random effects model. To select the best model among the three, the Chow test, the Hausman test, and the Lagrange multiplier test are performed. However, based on the research objectives, the best model used is the Common Effects Panel Least Squares (PLS) model. This is because PLS provides more information and variability for analysis, can address heterogeneity issues, can be adjusted to account for differences, and panel LS tends to provide more efficient estimates than simple regression.

Figure . 4 Operational definition of variables

Variables	**Definition**	**Unit**	**Source**
Number of Sectoral Workers (JTKS)	The number of people employed in each economic sector, including agriculture, industry, and services, both formal and informal, within a specific region and period. This variable reflects the level of labor absorption in each regional economic sector.	Number of people (souls) or percentage of the total workforce	Central Statistics Agency (BPS), publication of the State of the Labor Force of South Sumatra Province and South Sumatra in Figures
Gross Regional Domestic Product (GRDP)	The total value of output of goods and services produced by production units in an economic sector (agriculture, industry, and services) in a certain region during one year, calculated on the basis of constant prices to measure real growth.	Billion Rupiah (constant prices 2010 - 2024)	Central Statistics Agency (BPS), publication of South Sumatra Province's GRDP by Business Sector
Regional Minimum Wage (UMR)	The lowest wage level officially set by the provincial government as the minimum standard of compensation for workers to ensure a decent standard of living. The UMR serves	Rupiah (Rp)	Central Statistics Agency (BPS)

	as a signal of labor prices in the regional labor market.		
Average Years of Schooling (RLS)	The average number of years of formal education for people aged 15 and over. This indicator reflects the quality of human resources (HR), which influences labor productivity and economic growth.	Year (average)	BPS- Human Development Index (HDI), South Sumatra in Figures

Source: *Author* , processed (2025)

In this study, the Average Years of Schooling (RLS) variable in the observed districts/cities , some of which are not listed in BPS, such as in Ogan Komering Ulu District, Muara Enim Regency, so to meet the needs for the research to be accurate, using the RLS of South Sumatra Province according to the required year. Then the same thing applies to the minimum wage variable using the Regional Minimum Wage (UMR) for regions that have set it, while for districts/cities that have not yet determined the UMK, the South Sumatra Provincial Minimum Wage (UMP) is used as a reference. This approach was chosen so that all regions in the study have consistent and comparable data, considering that not all districts/cities in South Sumatra Province set the UMK every year. So that the minimum wage variable in this study reflects the wage policies that apply in each region proportionally.

RESULTS AND DISCUSSION

There are three methods for estimating panel data: the Pooled Least Squares (PLS) Method, the Fixed Effects Method (FEM), and the Random Effects Model (REM). The following are the panel data regression results:

Figure 6 model test results

Testing	Results	Conclusion
Chow Test	Prob 0.0000 P Value < 5%	CEM
Hausman test	Prob 0.0000 P value < 5%	FEM

Source: Author, processed data (2025)

Based on the image above , the chow test is used to choose between CEM and FEM. The prob value in the chow test is 0.000 < 0.05, so the selected model is FEM. To choose the best model between FEM and REM, the Hausman Test is continued, on the test results the prob value is 0.000 < 0.05, so the selected model is CEM. Panel data regression aims to see the influence between variables, in this study the variables used are sectoral GRDP, minimum wages, on the number of sectoral workers according to education level in South Sumatra.

The FEM estimation results show that the sectoral GRDP, minimum wage, and average years of schooling (RLS) variables have different relationships with the number of sectoral workers in eight regencies/cities in South Sumatra Province. Regarding the PLS regression results (Zulfikar, 2018) , PLS is generally used to predict dependent variables and identify relationships between variables, without distinguishing between fixed and random effects. Therefore, the Hausman test is not necessary in PLS regression.

Figure 7: Agricultural sector regression results

Variable	Coefficient	t-Statistic	Std.error	f-statistic	Prob.
C	0.021042	0 . 0 9 93 7 2	0.211752		0. 09211
JTKS1 (-1)	0.9 97173	2 79.2360	0.00357		0.00 00
GRDP1	-0 . 004473	- 0 .14633	0.03056		0. 8840
Minimum Wage	- 0 . 000308	-0. 102186	0.00301		0. 9188
RLS	0. 006976	0. 821187	0.00849		0. 4136
Least Squares Panel				22221.87	0.00 00

JTKS1 = 0.0210421389282 + 0.997172 - 0.00447 - 0.00030 + 0.00697 (4)

Figure 7. Panel regression results for the agricultural sector with lag 1 (JTKS1) show that the model has a very high level of fit, with an R-squared value of 0.9989 and Prob (F-statistic) = 0.0000, which means that all variables in the model together have a significant effect on the number of agricultural workers. However, when viewed partially, only the previous year's labor lag variable [JTKS1(-1)] has a significant effect with a coefficient of 0.997173 and a p-value = 0.0000. This value is close to one, indicating a very strong dependence between the number of agricultural workers in the previous year and the current year. This means that changes in the current number of agricultural workers are strongly influenced by past labor conditions, reflecting the relatively stable and slow-changing nature of the agricultural sector.

Meanwhile, the variables GRDP in the agricultural sector, minimum wage, and average years of schooling (RLS) show probability values above 0.05, meaning they are not statistically significant. The negative coefficients on GRDP1 (-0.004473) and minimum wage (-0.000308) indicate a tendency that increasing agricultural value added or increasing the minimum wage does not necessarily increase the number of workers. This can be explained because agricultural modernization that increases production efficiency often reduces the need for manual labor, as explained in the theory of structural transformation by W. Arthur Lewis (1954). In addition, increasing the minimum wage in rural areas can suppress the ability of small-scale farming businesses to employ workers, so that it can have a negative impact on labor absorption.

The Average Years of Schooling (ALS) variable has a positive coefficient (0.006976), but it is not significant. Nevertheless, this positive trend still indicates that increased education has the potential to improve the quality of the agricultural workforce, although it is not yet strong enough to directly influence the number of workers. According to Todaro and Smith (2012), education in rural areas more often increases labor mobility from the agricultural sector to the non-agricultural sector, rather than expanding absorption within the agricultural sector itself.

One reason is that educated workers tend to shift to the industrial and service sectors, which offer higher incomes, while the agricultural sector remains dominated by less educated workers. This situation demonstrates that the implementation of SDG 8 in the agricultural sector in South Sumatra still faces significant challenges in creating decent and productive jobs. The transformation to modern agriculture requires support from technological advancements, vocational education, and agricultural business innovations to ensure the sector can absorb a qualified workforce while

supporting inclusive and sustainable economic growth. Overall, these results indicate that the dynamics of the agricultural workforce in South Sumatra are still highly dependent on the growth of agricultural sector output and the wage policies implemented, in line with the principles of SDGs 8 on increasing productivity and creating decent work through inclusive economic growth.

Figure 8 Industrial sector regression results

Variable	Coefficient	t-Statistic	Std. Error	F-statistic	Prob.
C	0 . 98658	1.101319	0.89582		0. 2736
JTKS2 (-1)	1 . 00391	90.5486	0.01108		0.000 0
GRDP2	- 0.07926	-0.090123	0.06589		0. 230
Minimum Wage	-0.00375	-0.35745	0.02737		0. 7216
RLS	0. 02184	0.79799	0.01049		0. 4269
Least Squares Panel				2166.00	0.0000

JTKS2 = 0.986583 + 1.003913 - 0.079267 + 0.0218431 - 0.003750 (5)

Figure 8 The industrial sector regression results show that the number of industrial workers in the previous period (JTKS2(-1)) has a positive and significant effect on the industrial workforce in the current period, with a coefficient of 1.003914 and a probability of 0.0000. This finding indicates the existence of *path dependency* or continuity of employment, where an increase in the workforce in the previous period drives an increase in the next period. This condition is in line with the *labor inertia theory* proposed by Mankiw (2019), which explains that labor dynamics are persistent and influenced by the historical conditions of the sector.

In contrast, the industrial GRDP variable showed a negative and insignificant effect on labor absorption. This indicates that increased industrial sector output has not been able to directly drive an increase in the workforce. This condition reflects the characteristics of industry in South Sumatra, which tends to be capital-intensive and utilizes technology and automation. Therefore, increased production is not always accompanied by an increase in the workforce, as explained by Todaro and Smith (2020).

Meanwhile, the variables Average Years of Schooling (RLS) and Regional Minimum Wage (UMR) also did not significantly influence employment in the industrial sector. This indicates that improving education and wage policies have not been the primary factors in encouraging the expansion of industrial employment. In line with Blanchard's (2017) view, industrial employment in developing countries is largely determined by investment, productivity, and industrial structure. Therefore, despite the continued growth of the industrial sector, the implementation of SDG 8 in South Sumatra still faces challenges in creating broader and more equitable employment opportunities.

Figure 9. Service sector regression results

Variable	Coefficient	t-Statistic	F-statistic	Std Error	Prob.
C	2. 430 660	2 . 09376		1.16090	0.0 39 0
JTKS3 (-)	0. 8 0 3 2 50	12,476 92		0.06437	0. 0000
GRDP3	- 0.06905	-0.136 845		0.06536	0.89 02
RLS	- 0.01275	- 0.101056		0.12625	0.0000
Minimum Wage	0.00900	0.189366		0.0475	0. 8502
Least Squares Panel			40.1406		0.0002

$$JTKS3t=2.660175+ (-0.021233) +(-1.4308)+(-5.1107) +2.9064 \quad (6$$

Figure 9 shows that the number of service sector workers in the previous period (JTKS3(-1)) has a positive and significant effect on the number of service sector workers in the current period, with a coefficient of 0.803250 and a probability of 0.0000. This finding indicates that the development of the service sector workforce is sustainable and follows the pattern of the previous period. This condition is in line with the *labor persistence theory* proposed by Mankiw (2019), which states that the labor market tends to maintain its employment structure due to relatively stable work experience and skill needs in the service sector.

In contrast, the service sector GRDP, Average Years of Schooling (RLS), and Regional Minimum Wage (UMR) variables did not significantly influence service sector labor absorption. This indicates that the increase in economic output in the service sector has not been accompanied by an increase in the workforce. This condition may be due to increased production efficiency and the use of digital technology, which allows for increased productivity without the need for significant workforce additions, as explained by Todaro and Smith (2020).

The insignificant influence of education and wages also indicates that the service sector in South Sumatra is still dominated by informal economic activities with low productivity. According to Fadilah (2019), the service sector in developing regions is generally filled with activities such as small trade, transportation, and personal services that do not require a high level of education. Therefore, although the service sector contributes significantly to GRDP, this growth has not been fully accompanied by improvements in workforce quality or significant formal job creation.

Figure 10. Number of sectoral workers in South Sumatra in 2021-2024

Figure 10 above shows the number of workers in 2021, 2022, 2023, and 2024 according to the economic sectors of agriculture, industry, and services in several districts/cities in South Sumatra, namely OKU, OKI, Muara Enim, Musi Banyuasin, Banyuasin, Palembang, and Prabumulih. The graph shows that the agricultural sector still absorbs a significant amount of labor in most regions, especially in areas with an agrarian economic base such as OKU, OKI, and Banyuasin. However, the linear trend line in the agricultural sector shows a downward trend, indicating a shift in the labor structure from the primary sector to the secondary and tertiary sectors.

This phenomenon is in line with the structural transformation theory proposed by (Lewis, 2014) and developed by (Kuznets, 1966) , which explains that in the process of economic development, the workforce will shift from the low-productivity agricultural sector to the more productive industrial and service sectors. Similar results were found by (Febrian et al. , 2022) in their research on changes in the structure of the Indonesian economy, where the growth of the industrial and service sectors caused the proportion of the workforce in the agricultural sector to gradually decline, especially in areas experiencing urbanization and industrialization.

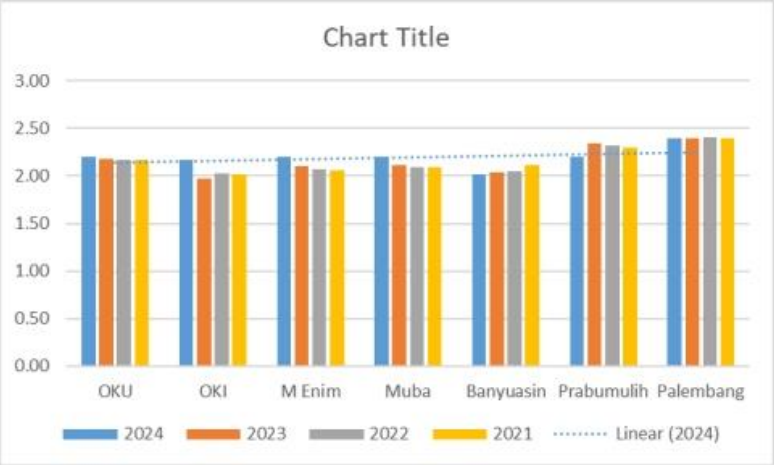
Meanwhile, the industrial sector has shown an increase in employment in several regions, particularly Palembang and Prabumulih. This aligns with research findings (Harunurrasyid et al. , 2022) , which found that the development of industrial areas in urban areas plays a significant role in job creation and increasing community income. Palembang, the economic center of South Sumatra, and Prabumulih, which thrives in the oil and gas and manufacturing sectors, are clear examples of the shift in labor dominance from agriculture to industry.

The service sector also shows an increasing trend, particularly in areas with stronger urban economic activity. According to Todaro and Smith (2015), increased employment in the service sector reflects economic diversification toward high-value-added activities such as trade, transportation, and public services. In urban areas, increased education and incomes have also increased demand for modern services such as finance, education, and healthcare, which in turn has expanded employment opportunities in this sector.

Overall, the trends in this graph indicate that South Sumatra is experiencing a shift in its labor structure consistent with endogenous growth theory (Romer, 1990) , where long-term economic growth is influenced by improvements in human capital and innovation in the productive sector. The shift in labor from agriculture to industry and services indicates an increase in labor efficiency, skills, and productivity. Thus, these findings not only demonstrate sectoral change but also illustrate the direction of

increasingly modern economic development oriented toward improving the quality of human resources.

UMR movement trend in South Sumatra
Figure 11 Regional Minimum Wage in South Sumatra



Source: BPS (2025)

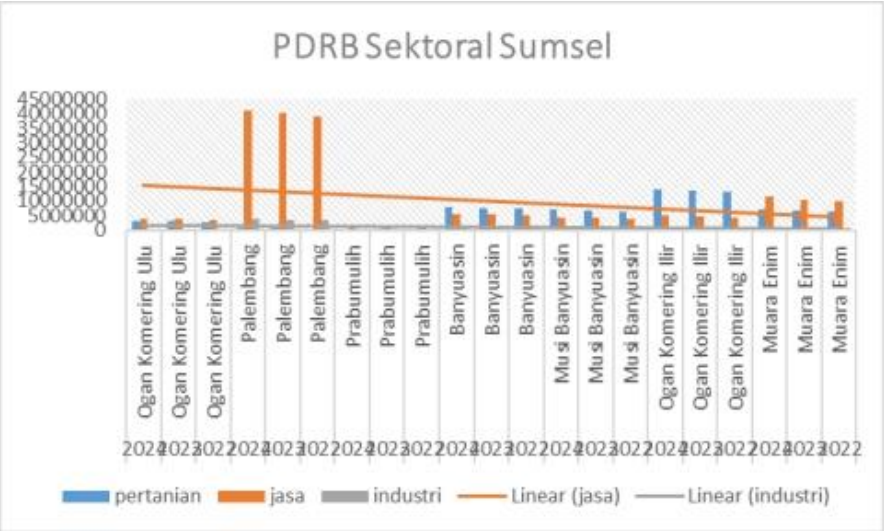
Figure 11 shows the trend in the Regional Minimum Wage (UMR), or more precisely, the Regency/City Minimum Wage (UMK), in South Sumatra Province during the 2021–2024 period in seven regions: OKU, OKI, Muara Enim, Musi Banyuasin, Banyuasin, Prabumulih, and Palembang. In general, the trend shows a gradual increase each year across all regions, with a slightly upward trend line in 2024. This indicates that the local government has consistently increased the UMR in response to economic growth and rising costs of living (inflation) in South Sumatra.

This phenomenon aligns with research by Sukirno (2016), which states that regions with a high industrial base and urbanization tend to have higher minimum wages due to increased productivity and labor market demands. In other words, the increase in the minimum wage in these two cities reflects the dynamics of a rapidly growing urban economy.

Meanwhile, regencies such as OKU, OKI, and Musi Banyuasin show relatively lower minimum wage values, although they continue to increase annually. This situation illustrates the existence of wage inequality between regions, where agrarian regions with economic activities based on agriculture and natural resources have not been able to match the wage levels of industrial areas. This aligns with Tambunan's (2001) findings, which explain that differences in economic structure between regions are a major factor causing variations in minimum wage levels in Indonesia.

Overall, the regional minimum wage (UMR) trend in South Sumatra is positive and sustainable, reflecting the government's commitment to maintaining workers' purchasing power and improving their welfare. This consistent wage increase also aligns with Romer's (1990) endogenous growth theory, which argues that increased labor income has the potential to strengthen human capital and economic productivity. Therefore, this trend can be interpreted as a signal that South Sumatra is moving toward more inclusive and equitable economic development across regions, although the challenge of inequality still needs to be addressed.

Trends in Sectoral GRDP Movement in South Sumatra
Figure 12 Sectoral GRDP of South Sumatra



Source: BPS (2025)

The figure above shows the development of Gross Regional Domestic Product (GRDP) by sector in South Sumatra Province over the past three years (2022–2024) based on three main sectors: agriculture, industry, and services. The graph shows that the services sector contributes the most to total GRDP in almost all regions, especially in Palembang City, which has the highest value compared to other regions. This is understandable considering that Palembang is the center of economic, governmental, and trade activities in South Sumatra. Meanwhile, the agriculture and industry sectors show relatively lower contributions, with variations depending on the economic characteristics of each region.

In the agricultural sector, its contribution is quite significant in agrarian-based regions such as Ogan Komering Ilir (OKI), Musi Banyuasin (Muba), and Ogan Komering Ulu (OKU). Although it remains the backbone of the rural economy, the graphical trend shows that the agricultural sector's GRDP has not experienced a sharp increase over the past three years. This indicates stagnant growth due to relatively unchanged productivity factors, such as dependence on primary commodities and minimal diversification of production. However, this sector remains important because it plays a significant role in maintaining food security and economic stability in rural areas.

The industrial sector exhibits varying trends across regions. In some areas, such as Musi Banyuasin and Prabumulih, industrial GRDP is quite prominent due to the processing of natural resources such as oil and gas. However, compared to the service sector, the industrial contribution remains relatively small and has tended to remain stable without significant spikes over the past three years. This indicates that the industrial sector in South Sumatra remains focused on resource-based processing and has not yet moved significantly toward high-value-added manufacturing industries that could drive faster economic growth.

Meanwhile, the services sector exhibits the most dominant and steadily increasing contribution to GRDP, as indicated by the upward linear trend line. This increase indicates a structural transformation of the South Sumatra economy toward a tertiary-based economy. The growth of the services sector is primarily supported by increased activity in trade, transportation, banking, tourism, and public services in urban areas.

Thus, these data indicate that over the past three years, the direction of South Sumatra's economic development has begun to shift from reliance on the primary sector to a more modern service sector oriented toward urban services and activities.

The Influence of the Regional People's Representative Council (DPRB) in the Agricultural Sector, the Minimum Wage (UMR) and the Regional Labor Force (RLS) on the Demand for Labor in the Agricultural Sector

Labor demand in the agricultural sector in South Sumatra Province exhibits different dynamics than the industrial and service sectors in responding to changes in economic variables. Estimation results show that the Gross Regional Domestic Product (GRDP) in the agricultural sector has a positive but insignificant coefficient, indicating that agricultural output growth has not been able to significantly increase labor absorption.

The previous period's labor force variable ($JTKS_{t-1}$) has a positive and significant effect on the demand for labor in the agricultural sector, indicating labor inertia. This finding indicates that labor tends to remain in the agricultural sector due to limited mobility, low skills, and a lack of job alternatives in other sectors. In contrast, the agricultural sector's GRDP, Regional Minimum Wage (UMR), and Average Years of Schooling (RLS) variables do not have a significant effect on labor demand, indicating that increased output, minimum wage policies, and increased education levels have not been able to create additional jobs in the agricultural sector. The insignificant effect of the agricultural sector's GRDP on labor absorption reflects the process of modernization and mechanization of agricultural production, where productivity increases are achieved more through the use of technology and capital than through additional labor.

Meanwhile, the negative UMR coefficient indicates that an increase in the minimum wage has the potential to suppress demand for labor in the agricultural sector, although the effect is not statistically significant. This aligns with the Hicks–Marshall Derived Demand theory, which states that wage increases without increasing marginal productivity will reduce labor demand. Furthermore, the negative RLS coefficient indicates a shift in educated labor from the agricultural sector to the industrial and service sectors.

The Influence of the DPRB Industrial Sector, UMR and RLS on the Demand for Labor in the Industrial Sector

In the industrial sector, regression results indicate that industrial GRDP has not significantly influenced employment, while the Regional Minimum Wage (UMR) has a positive and significant effect. This finding indicates that minimum wage increases can go hand in hand with increased industrial employment, reflecting increased productivity and companies' ability to pay higher wages without reducing the workforce. This condition aligns with Schumpeter's (1934) theory of economic growth, which emphasizes the role of innovation and industrial modernization as the primary drivers of quality job creation.

The regression model shows a high level of significance with an F-statistic value of 2166.004 ($p = 0.0000$). The number of workers in the previous period has a significant positive effect, indicating the continuity of labor absorption in the industrial sector. Furthermore, the positive effect of the UMR indicates that the minimum wage policy does not suppress labor demand, but rather encourages worker productivity and welfare. Conversely, the insignificant industrial GRDP ($p = 0.2320$) indicates that

industrial output growth in South Sumatra is still dominated by capital-intensive subsectors, such as oil and coal processing, which are relatively limited in creating new jobs.

This situation indicates that the implementation of SDG 8 in the industrial sector in South Sumatra remains partial, with economic growth not yet fully inclusive for the entire workforce. Therefore, increasing the Average Years of Schooling (ALS) and strengthening vocational education and training are crucial strategies to improve workforce adaptation to the needs of modern industry, while simultaneously supporting the achievement of productivity and decent work targets.

The Influence of the DPRB in the Service Sector, UMR and RLS on the Demand for Labor in the Service Sector

The regression results for the service sector show that GRDP and the Regional Minimum Wage (UMR) have negative coefficients, with a significant effect on the UMR variable. This finding indicates that minimum wage increases actually suppress labor absorption in the service sector. This condition can be explained by the dualistic labor market theory proposed by Todaro and Smith (2020), where the service sector in developing regions is dominated by the informal subsector with low productivity. Therefore, minimum wage increases in the formal sector increase business costs and encourage workforce reductions, particularly in small and medium enterprises.

The overall service sector regression model is significant (F-statistic = 40.1410; p = 0.0000), but the GRDP and labor variables for the previous period do not have a significant effect. This indicates that service sector output growth has not automatically been followed by increased labor absorption. Meanwhile, the negative and significant UMR coefficient indicates a dilemma in implementing SDGs 8, where increasing welfare through minimum wage policies is not fully aligned with the ability of the service sector, especially the informal sector, to maintain labor absorption.

This finding aligns with research by Nur et al. (2018) and Asmara et al. (2024), which shows that minimum wage increases tend to reduce labor demand in the service and small-scale industries due to increased production costs. On the other hand, the Mean Years of Schooling (RLS) variable has a positive but insignificant effect, consistent with the endogenous growth model of Mankiw, Romer, and Weil, which emphasizes that education increases labor productivity in the long run, but its impact on job creation is indirect.

Structurally, the dynamics of the services sector in South Sumatra are also influenced by differences in regional characteristics and labor markets, as demonstrated by Nafiah (2020) and data from the South Sumatra Statistics Agency (BPS) (2024). Research by Rahmi and Riyanto (2022) and Bossler and Popp (2024) confirms that labor demand is determined not only by wage levels but also by institutional factors, market structure, and aggregate demand. Therefore, these research findings emphasize that minimum wage policies in the services sector need to be accompanied by increased productivity, strengthened workforce skills, and support for micro-enterprises so that service sector growth can create sustainable and inclusive employment.

CONCLUSION

These findings indicate that there is significant variation over time that affects the number of sectoral workers in South Sumatra Province during the period 2010–2024. Conversely, the p-value in the cross-section aspect (0.0867 > 0.05) indicates that differences between regions are not very dominant in influencing labor dynamics,

but rather are determined more by inter-annual changes such as macroeconomic policies, fluctuations in sectoral GRDP, and changes in the minimum wage level. Economically, these results demonstrate that labor demand dynamics in South Sumatra are more influenced by time factors than by regional factors. This means that national policies such as setting the minimum wage, increasing average years of schooling, and sectoral economic growth have a greater impact on labor mobility than differences in conditions between districts/cities.

Implications for SDG 8: Decent Work and Economic Growth: This study shows that economic growth in South Sumatra has not yet fully created decent and inclusive work. Industrial and service growth has not significantly increased employment. Therefore, economic development policies are needed that focus on improving workforce quality and decent wages , vocational education, and strengthening the MSME sector to create sustainable growth in line with SDG 8.

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