

THE ROLE OF MICRO, SMALL, AND MEDIUM-SIZED ENTERPRISES IN LABOR ABSORPTION IN GARUT REGENCY

Ismail Abdul Azis¹, Albert Gamot Malau²

050624159@ecampus.ut.ac.id¹, albert@ecampus.ut.ac.id²

Universitas Terbuka

Abstract

Unemployment in Indonesia has become a difficult problem to solve. MSMEs play a role in addressing unemployment and boosting the national economy by absorbing a large workforce. This study aims to determine the role of MSMEs in absorbing the workforce in Garut Regency. This study employs a qualitative descriptive method, reviewing literature and data from various sources. The results indicate that MSMEs play a significant role in the national economy through substantial labor absorption. Data for 2024 indicates that Garut Regency has a relatively high projected number of MSMEs, totaling 369,568 units, with a correspondingly high workforce of 374,017 people, resulting in a labor absorption ratio of 1.01 percent. This is evidenced by the large number of workers in the informal sector. However, MSMEs in Garut Regency still face significant challenges.

Keywords: *Unemployment, Micro, Small, and Medium-Sized Enterprises (MSMEs), Labor Force.*

INTRODUCTION

Unemployment in Indonesia has become a difficult problem to solve. Indonesia emerged from a monetary crisis several years ago, but the government and the public have struggled to improve and restore the country's economy. The government is aware of these challenges; following the crisis, current policies have contributed to the weakening of the national economy. However, according to (Trading Economic, 2025), Indonesia's unemployment rate decreased to 4.85% in the third quarter of 2025, down from 4.91% in the same period the previous year, while the number of unemployed remained at approximately 7.46 million. Furthermore, the number of jobs rose by 1.31% to 146.54 million, driven by increases in the agriculture, accommodation, and manufacturing sectors. Meanwhile, the labor force participation rate fell slightly to 70.59% from 70.63% in the same period last year.

The government has made various efforts to further reduce unemployment, specifically by raising economic standards to combat poverty and unemployment in society through several economic programs, one of which is the development of the MSME sector. According to (Lubis, Putra, Widayati, Ladjin, & Al Fajar, 2024), the MSME sector plays a crucial role in Indonesia's economy, therefore its development is essential for economic growth. According to data from the Central Statistics Agency reported by (Peratami, 2025), the open unemployment rate in August 2025 in Garut Regency stood at 6.54 percent. In 2023, the open unemployment rate in Garut was 7.33 percent, and in 2024, it was 6.96 percent. The decline in the unemployment rate is attributed to many people working in the informal sector. The government must play a more active role to reduce the open unemployment rate in Garut Regency by collaborating with business owners to strengthen the SME sector.

The MSME sector is the largest employer in many countries, including Indonesia, particularly in Garut Regency. MSMEs play a vital role in reducing unemployment rates by providing job opportunities for local communities, especially in rural or remote areas. Community involvement in the economy must be increased so that MSMEs can thrive, with the hope that employment and community income will rise.

Table 1. Number of MSMEs by Regency/City in West Java

No	Kab/Kota	Jumlah UMKM	%	No	Kab/Kota	Jumlah UMKM	%
1	Kota Bandung	506.347	8.09	15	Kab Majalengka	211.749	3.38
2	Kab Bandung	476.954	7.62	16	Kab Bandung Barat	211.001	3.37
3	Kab Bogor	464.346	7.42	17	Kab Ciamis	188.633	3.01
4	Kab Sukabumi	363.176	5.80	18	Kab Sumedang	156.884	2.51
5	Kab Garut	349.863	5.59	19	Kab Kuningan	128.103	2.05
6	Kab Cirebon	341.037	5.45	20	Kota Tasikmalaya	123.010	1.97
7	Kab Cianjur	338.612	5.41	21	Kab Purwakarta	117.790	1.88
8	Kab Karawang	315.388	5.04	22	Kota Bogor	116.656	1.86
9	Kab Bekasi	311.927	4.98	23	Kab Pangandaran	81.401	1.30
10	Kota Bekasi	274.143	4.38	24	Kota Cimahi	76.833	1.23
11	Kab Indramayu	257.929	4.12	25	Kota Cirebon	54.306	0.87
12	Kab Tasikmalaya	253.908	4.06	26	Kota Sukabumi	53.979	0.86
13	Kab Subang	229.215	3.66	27	Kota Banjar	34.962	0.56
14	Kota Depok	219.238	3.50				

Source: Department of Cooperatives and Small Businesses 2023

Based on Table 1, it can be seen that Garut Regency is one of the regencies with the highest projected number of MSMEs, ranking fifth in West Java with a percentage of 5.59%. According to Info Garut (2025), Garut is a regency bustling with distinctive local culinary activities and abundant natural attractions, offering significant market potential for MSMEs to market their products. Therefore, as the number of MSMEs in Garut Regency increases, competition among them becomes increasingly intense. This poses a challenge for MSME entrepreneurs in determining the right strategy to survive amid fierce competition.

Table 2. Number of MSMEs in Garut Regency

No	Tahun	Provinsi	Nama Kabupaten/Kota	Proyeksi Jumlah UMKM	Persentasi
1	2019	Jawa Barat	Kabupaten Garut	310279	UNIT
2	2020	Jawa Barat	Kabupaten Garut	329477	UNIT
3	2021	Jawa Barat	Kabupaten Garut	349863	UNIT
4	2022	Jawa Barat	Kabupaten Garut	371510	UNIT
5	2023	Jawa Barat	Kabupaten Garut	394496	UNIT
6	2024	Jawa Barat	Kabupaten Garut	396568	UNIT

Source: Department of Cooperatives and Small Businesses 2024

Furthermore, based on Table 2, the projected number of MSMEs in Garut Regency has increased every year. According to (Diskominfo Garut, 2024), this is due to the support of the Garut Regency local government through the appropriate and optimal use of digital technology, as well as the strong business resilience of entrepreneurs. The Garut Regency government actively supports MSME growth by facilitating access to capital and promoting the “UMKM Naik Kelas” (MSMEs Moving Up) program through cooperatives. Additionally, by optimally utilizing local resources, local labor, and local financing, the program can absorb and benefit the local economy. Based on the explanation above, which highlights that MSMEs play a crucial role in reducing unemployment rates, absorbing labor, and providing employment opportunities to the local community, the author is interested in discussing the role of MSMEs in labor absorption, hence the title: The Role of Micro, Small, and Medium Enterprises in Labor Absorption in Garut Regency.

METHOD

The research method used is descriptive qualitative research, which aims to explain or provide an accurate description of a phenomenon, event, or social condition in the field. In this study, the data collection technique employed is a literature review, involving the collection and analysis of various relevant secondary sources. The data used were sourced from scientific journals, books, government reports, and publications from official institutions, which were then explained in detail to provide clarity or conclusions regarding the role of MSMEs in labor absorption. The data obtained was then analyzed by compiling the main findings from the various literature reviewed. Data interpretation was conducted systematically to gain a more comprehensive understanding of the role of MSMEs in labor absorption.

HASIL DAN PEMBAHASAN

A. The Role of Micro, Small, and Medium-Sized Enterprises in Employment in Garut Regency

According to data from (Kemenko, 2023) MSMEs play a vital role in the national economy, accounting for over 60 percent of economic activity and employing 97 percent of the workforce. Although West Java is one of the most densely populated provinces in Indonesia, it demonstrates strong MSME dynamics, with consistent growth and a significant impact on the economy and employment. Rural districts have a relatively higher projected number of MSMEs compared to urban areas. Garut Regency is one of the areas with a high projected number of MSMEs, resulting in sufficient employment absorption.

The previous discussion indicates that significant growth in MSMEs has occurred in rural districts, but this doesn't preclude the possibility of urban areas also enhancing the competitiveness of MSMEs. According to data (Open Data Jabar, 2024), in 2024, there was a strong positive correlation between the number of MSMEs and the number of workers employed in West Java Province. This indicates that for every increase of 1 MSME, approximately 1 to 2 new workers are hired. Garut Regency has a relatively high projected number of SMEs, totaling 369,568 units, with a workforce of 374,017 people.

From this figure, the employment absorption rate is approximately 1.01 percent. However, if each increase of one MSME correlates with the absorption of approximately two new workers from a total of 369,568 MSMEs, then the number of workers absorbed is 739,136, with an employment absorption rate of approximately 2 percent. This can be substantiated based on data from (Badan Pusat Statistik Nasional Kabupaten Garut, 2026), which indicates that in Garut Regency the number of workers in the informal sector is increasing. According to August 2025 data, the population employed in the informal sector totaled 896,000 people (68.63 percent), while those employed in the formal sector numbered 409,000 people (31.37 percent).

Tabel 3. Open Unemployment Rate

No	Tahun	Provinsi	Nama Kabupaten/Kota	Tingkat Pengangguran Terbuka	Satuan
1	2020	Jawa Barat	Kabupaten Garut	8,96	Persen
2	2021	Jawa Barat	Kabupaten Garut	8,68	Persen
3	2022	Jawa Barat	Kabupaten Garut	7,6	Persen
4	2023	Jawa Barat	Kabupaten Garut	7,33	Persen
5	2024	Jawa Barat	Kabupaten Garut	6,96	Persen
6	2025	Jawa Barat	Kabupaten Garut	6,54	Persen

Source: Garut Regency Central Statistics Agency 2025

Furthermore, based on Table 3, which is derived from data from the Central Statistics Agency, if the current labor force in Garut Regency is approximately 100,000 people, then 60,000 of them are unemployed. According to (Peratami, 2025), these

60,000 unemployed individuals are high school and vocational school graduates who require access to new job opportunities every year. Nevertheless, Garut's unemployment rate shows a downward trend. In 2024, the rate stood at 6.96 percent, then dropped to 6.54 percent in 2025. This decline signals that the local government's efforts to expand employment opportunities through the development of MSMEs are beginning to yield positive results.

B. Challenges Faced and Strategies to Be Implemented

1. Challenges Faced

There are several challenges or factors hindering the development of MSMEs in Garut Regency as cited in (Ginanjari, Muda, Fitriyana, & Khair, 2025), including:

- a. The implementation of MSME development policies has not yet been fully effective, as evidenced by policy overlaps and the low level of active participation by MSMEs in the development programs carried out by the relevant agencies.
- b. The performance of MSMEs has not yet reached its full potential, as evidenced by their relatively low growth rates and the fact that business management remains traditional and is often passed down through generations.
- c. The effectiveness of business sustainability has not yet been achieved, as evidenced by the relatively low level of production factors among MSMEs, the fact that improvements in human resource quality have not yet reached their full potential, and the fact that their locations are unknown because not all of these MSMEs are publicly listed.
- d. Not all MSMEs can become formal businesses; this situation is linked to the incomplete resolution of issues regarding the legal status of business entities, the smooth operation of licensing procedures, the implementation of fair competition, the planning of business locations, and the implementation of regional autonomy in empowering MSMEs.

2. Strategies to Be Implemented

There have been several efforts to improve effectiveness and efficiency in supporting the growth of MSMEs, including the following:

- a. Implement a dashboard integration system with on-site monitoring to track MSMEs performance.
- b. Conduct and follow up on program evaluations on a regular and transparent basis.
- c. Provide ongoing digital training and mentoring programs for MSMEs operators.
- d. Empower the creative economy based on local wisdom and market these products to communities outside Garut Regency through social media.

Submit proposals to the Garut Regency government to improve infrastructure and provide adequate support for MSMEs.

CONCLUSION

Based on the findings of the above study, it can be concluded that MSMEs play a vital role in the national economy by employing a very large workforce. Garut Regency is one of the regions with the highest projected number of MSMEs. This indicates that MSME growth is quite significant in the regency, but it does not preclude the possibility for urban areas to enhance the competitiveness of their MSMEs. Data from 2024 shows that Garut Regency has a high number of MSMEs, totaling 369,568 units, with a similarly high workforce of 374,017 people, and a labor absorption ratio of 1.01 percent.

If each increase of one MSMEs correlates with the hiring of approximately two new

workers from both groups, the resulting employment rate is approximately 2 percent. According to August 2025 data, the number of people employed in the informal sector reached 896,000 (68.63 percent), while those employed in the formal sector numbered 409,000 (31.37 percent). This demonstrates that in Garut Regency, the number of workers in the informal sector continues to rise while the unemployment rate is declining. Nevertheless, there are still many obstacles faced by MSMEs in Garut Regency, such as the implementation of MSMEs development policies not being maximized, MSMEs business performance not being optimal, business sustainability not being effective, and their locations being unknown because not all of these MSMEs are formal companies.

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