INVESTMENT, LABOR AND THEIR EFFECTS ON ECONOMIC GROWTH
OF *PONOROGO* REGENCY

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ABSTRACT

The condition of a well-developed and rapid economy is not the best guarantee for economic growth if it is not followed by increased employment opportunities and increased investment. This can be understood because with the increase in employment opportunities will be able to accommodate new workers who each year has increased. Therefore, population growth in an economy/region must be balanced with an increase in employment opportunities so that the existing workforce can be absorbed in the world of work. Besides that, there are also conditions that must be met for development and economic growth in order to run well (experiencing an increase), namely the existence of investment activities. It is expected that an increase in investment activities, then economic activities also increase, so that it will increase the economic growth of a region. The investment that takes place in Ponorogo Regency will certainly absorb a large number of workers. With these conditions will create economic activities in various sectors that are increasingly developing, and this will have an impact on increasing development and economic growth in Ponorogo Regency. From the results of the significance test in the level of error of 5%, it can be seen that the investment does not affect the growth of the economy of Ponorogo Regency. However, if viewed from the regression equation, it turns out there is an influence of investment on economic growth, although the effect is relatively small. So that high investment will also be able to increase economic growth in Ponorogo Regency. While labor has an influence on the economic growth of Ponorogo Regency at a significance level of 5%. And from the regression equation, labor has a relatively high influence on economic growth. And from the simultaneous test, it is proven that investment and labor together influence the economic growth of Ponorogo Regency.

Keywords: Direct Investment, Labor, Economic Growth

ABSTRAK

Kondisi suatu perekonomian yang berkembang dengan baik dan pesat bukanlah merupakan jaminan yang paling baik apabila tidak diikuti peningkatan kesempatan kerja guna menampung tenaga baru yang setiap tahun memasuki dunia kerja.Dengan demikian dapat dikatakan ada hubungan yang kuat antara pertumbuhan ekonomi nasional maupun regional dengan peningkatan kesempatan kerja.Oleh karena itu pertumbuhan penduduk di suatu prkonoian/darah harus diimbangi dengan peningkatan kesempatan kerja agar angkatan kerja yang ada dapat diserap dalam dunia kerja. Disamping itu, ada juga syarat yang harus dipenuhi bagi permbangunan ekonomi agar dapat berjalan dngan baik, yaitu adanya kegiatan investasi.Tujuan utama dari investasi adalah untuk memperoleh manfaat yang sangat besar di kemudian hari, yaitu apabila kegiatan investasi meningkat, maka kegiatan ekonomi pun ikut

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meningkat. Investasi yang ada di Kabupaten Ponorogo tentunya menyerap tenaga kerja yang tidak sedikit. Dengan kondisi seperti ini akan menciptakan pertumbuhan ekonomi di berbagai sektor, dan ini akan berdampak bagi peningkatan pembangunan serta pertumbuhan ekonomi di Kabupaten Ponorogo. Dari hasil uji signifikansi terbukti Investasi tidak berpengaruh terhadap pertumbuhyan ekonomi Kabupaten Ponorogo. Tenaga Kerja mempunyai pengaruh positif dan signifikan terhadap pertumbuhan ekonomi Kabupaten Ponorogo pada taraf signifikansi 0.05 atau 5 %. Jumlah investasi yang tinggi akan akan meningkatkan Pertumbuhan ekonomi di Kabupaten Ponorogo dengan pengaruh yang kurang signifikan. Dari hasil uji signifikansi terbukti perubahan yang terjadi dalam variabel tenaga kerja mempunyai pengaruh yang signifikan pada perubahan variabel Pertumbuhan ekonomi di Kabupaten Ponorogo pada taraf signifikansi 0.05 atau 5 %.Jumlah tenaga kerja yang tinggi akan akan meningkatkan Pertumbuhan ekonomi di Kabupaten Ponorogo dengan pengaruh yang signifikan.

Kata Kunci: Investasi Langsung, Tenaga Kerja, Pertumbuhan Ekonomi

INTRODUCTION

In order to achieve the objectives of the national development that has been determined, economic development must be seen as a development process as a whole and viewed from various aspects, both those which include economic development and major changes in other fields, both social, behavioral and institutional. The main objective of economic development is an effort to create the highest growth, and also strive to reduce the level of poverty, income inequality, and unemployment or efforts to create employment opportunities for the population.

Economic development in the regions is an inseparable part of national development carried out based on the principles and provisions of regional autonomy and national resource arrangements that provide opportunities for improving regional performance to improve community welfare. Regional economic development is a process where local governments and communities use and manage existing resources to create new employment opportunities or job opportunities that can be used to stimulate economic growth.

Economic growth is one of the economic problems of a country. Economic growth measures an achievement from the development of an economy from the same period to the next period, namely by increasing the production of goods and services caused by production factors that always experience an increase in the number and quality. According to Sukirno (2004) in the macro analysis, the level of economic growth achieved by a country

is measured by the development of real national income achieved by a country/region.

The condition of a well-developed and rapid economy is not the best guarantee if there is no increase in employment opportunities to accommodate new workers who enter the workforce every year. Thus, it can be said that there is a strong relationship between national and regional economic growth with increased employment opportunities.

Besides that, there are also conditions that must be met for economic development in order to be able to run well, namely the existence of investment activities. The main purpose of the investment is to obtain enormous benefits in the future, namely if investment activities increase, the economic activities also increase. Investment in *Ponorogo* Regency certainly absorbs a large number of workers. With these conditions will create economic growth in various sectors, and this will have an impact on increasing development and economic growth in *Ponorogo* Regency.

Based on the background that has been described, the authors are interested in conducting research on the Effect of Direct Investment and Labor on Economic Growth in *Ponorogo*. Regency. While the problem in this study is, how is the effect of direct investment and labor on *Ponorogo* Regency economic growth? The purpose of this study was to determine the effect of direct investment and labor on economic growth in *Ponorogo* Regency.

LITERATURE REVIEW

Definition of Investment

Investment is a positive addition to capital goods. Investment can be divided into two types, namely real investment, and financial investment. What is meant by real investment is an investment in durable goods (capital goods) that will be used in the production process? While financial investment is an investment in securities, such as the purchase of shares, bonds, and other forms of debt.

According to Todaro (2006), investment plays an important role in driving the nation's economic life, because capital formation enlarges production capacity, raises national income and creates new jobs, in this case, it will further expand employment opportunities. Furthermore, Mankiw

(2000) states that technological innovation is one of the factors that can increase investment demand. According to Sukirno (2004), investment can also be interpreted as spending or shopping on investors or companies to buy capital goods and equipment to increase the ability to produce goods and services available in the economy.

Definition of Labor

According to Simanjuntak in Agusmidah (2010), labor (manpower) are residents who have been or are working, are looking for work, and who carry out other activities, such as going to school and taking care of the household. The three latter groups, namely job seekers, go to school and taking care of the household, even though they are not working, they are considered physically capable and can work at any time. The workforce consists of the workforce and not the workforce. The workforce consists of those who work, those who are unemployed, and those who are looking for work. The non-workforce group consists of groups that attend school, groups that manage households and other groups or recipients' income. The three groups in the non-workforce group can at any time offer their services to work.

The job opportunity is a situation where employment opportunities are available to job seekers. Job opportunities are a meeting between labor demand and labor supply in the labor market. The supply of labor comes from job seekers, while labor demand comes from those who need labor. work, both private and government.

Economic Growth

According to Tambunan, high and sustainable economic growth is the main condition of a necessity for the continuity of economic development and increasing welfare. Because the population is increasing every year, which in itself increases daily consumption needs every year, additional income is needed every year.

Apart from demand (consumption), from the supply side, population growth also requires job opportunity growth (source of income). Economic growth without coupled with the addition of employment opportunities will lead to inequality in the distribution of additional income (*cateris* paribus), which in turn will create a condition of economic growth with increasing poverty. Meeting the needs and opportunities of employment itself

can only be achieved by increasing the aggregate output or *GRDP* continuously.

In carrying out development, a theoretical basis is needed that is able to explain the correlation between the observed facts so that it can be used as an orientation framework for analysis and make predictions of the new symptoms that are expected to occur.

Regional Economic Growth Theory

According to Tarigan, the theory that talks about regional growth start from the theories quoted from macro/economic development economics by changing regional boundaries and adjusting them to their operational environment, followed by originally developed theories in regional economies. If in macroeconomic and economic development, the term export or import is a trade with foreign countries, so in regional economies, it means trade with other regions (including foreign trade).

In relation to labor, the most widely used theory is the theory of the export base. In this theory, society can be expressed as a socio-economic system. As a system, the whole community trades with other communities outside its borders. Determinants (determinants) of economic growth are directly linked to

the demand for goods from other regions outside the boundaries of regional economic communities.

Economic Growth

Economic growth is the development of activities in the economy that cause goods and services produced in society to increase and the prosperity of the community increases. The problem of economic growth can be seen as a macroeconomic problem in the long run. The development of the ability to produce goods and services as a result of the increase in production factors, in general, is not always followed by the increase in the production of goods and services which are of equal magnitude.

Economic growth is generally defined as an increase in real GDP per capita. Gross Domestic Product (GDP) is the market value of the total output of a country, which is the market value of all finished goods and final services produced during a certain period of time by production factors located within a country.

The growth theory quoted from macroeconomics is applicable to the national economy which in itself also applies to the region concerned. In carrying out development, a theoretical basis is needed that is able to explain the

correlation between the observed facts so that it can be used as an orientation framework for analysis and make predictions of the new symptoms that are expected to occur.

Hypothesis

Based on theoretical thinking and empirical studies that have been carried out in relation to research in this field, the hypothesis proposed by the author is: "Direct Investment and Labor Influence on Economic Growth in *Ponorogo* Regency".

RESEARCH METHODS

Research Location

The location of this study was conducted in *Ponorogo* Regency. The selection of this research area was conducted purposively, namely deliberate selection with the intention of finding an area that was relevant to the research objectives. Determination of the location of this research is carried out by considering the suitability of the location with the theoretical framework, considering operational techniques, and the possibility to approach the social structure.

Data source

The document as a source of data is based on secondary data obtained from *BPS Ponorogo* Regency various publications.

Data analysis

This research is quantitative research, with the aim to see the effect of direct investment and labor on economic growth. Analysis tools that are in accordance with the objectives are using multiple linear regression equations. The simple linear regression equation in this study is as follows: $Y = a + b_1 X_1 + b_2 X_2 + e$; where Y shows the Economic Growth of *Ponorogo* Regency; X1 shows the amount of investment; X2 shows the number of workers, and e shows disturbing variables.

To test the hypothesis used, a partial test method (t-test) is used with formulation $t = b/sb$, where b shows the regression coefficient value; and *sb* is the standard deviation.

From the results of the t-test, we can define work limits and hypotheses as follows:

H0: b1 = 0; There is no influence between investment in the Economic Growth of

Ponorogo Regency

Ha: b1 ≠ 0; There is an influence between investment in the Economic Growth of *Ponorogo* Regency.

H0: b2 = 0; There is no influence between labor and economic growth in *Ponorogo* Regency.

Ha: b2 ≠ 0; There is an influence between labor and economic growth in *Ponorogo* Regency.

To find out whether Ho is accepted or rejected with the following conditions:

a) If t hits> t table, or - t hits <- t table, then Ho is rejected and Ha is accepted.

b) If t hits ≤ t table or - t hits ≥-t table, then Ho is accepted and rejected.

Whereas to test the hypothesis simultaneously, the F test is used, with the following hypothesis:

H0: b1 = b2 = 0; There is no influence between investment and workforce on *Ponorogo* Regency *GRDP*.

Ha: b1 ≠ b2 ≠ 0; There is an influence between investment and labor towards *Ponorogo* Regency *GRDP*.

The conditions for accepting or rejecting the hypothesis are as follows:

a) If Fhit> Ftable, then Ho is rejected and accepted means the independent variable as a whole has an effect on the dependent variable

b) If Fhit <Ftable, then Ho, rejected and accepted means that the independent variable as a whole does not affect the dependent variable.

While to see the closeness of the relationship between investment, the number of workers and the Economic Growth of *Ponorogo* Regency can be seen from the value of the correlation coefficient (r). The provisions of the correlation test are as follows:

1. Coefficient value is - 1 ≤ r ≤ 1.

2. If r = - 1, then between the two variables has a "perfect" negative relationship.

3. If r = 1, then between the two variables has a positive relationship "perfect"

4. If r = 0, then between the two variables has no relationship.

5. If r is getting closer to the number - 1 or 1, then between the two variables has a very strong relationship

6. Whereas if r is closer to number 0, then between the two variables has a very weak relationship.

Besides that, to see how much the independent variable can explain the dependent variable, the Determination Coefficient *(R²)* is used. And see whether the data used in the formation of multiple linear regression equations, data quality tests are used, often referred to as classical assumptions. As for the

classic assumption test using multicollinearity test, heteroscedasticity test, and autocorrelation test.

Multicollinearity test aims to test whether the regression model found a correlation between independent variables (independent). A good regression model should not occur the correlation between independent variables. To detect the presence or absence of multicollinearity can be seen from the value of Tolerance and VIF (Variance Inflation Factor). If the Tolerance value is above 0.10 and VIF is below the value of 10 the regression model is declared free of multicollinearity.

Heteroscedasticity test is used to see whether in a regression model variance inequality occurs. A good regression model is not heteroscedasticity (Ghozali, 2006). To detect the presence or absence of heteroscedasticity can be done by the Spearman rank test.

Autocorrelation test aims to test whether in a linear regression model there is a correlation between confounding errors in period t with interfering errors in period t-1 (before). If a correlation occurs, then there is a problem with autocorrelation (Ghozali, 2006). autocorrelation we must see the Durbin-Watson test value.

RESULTS AND DISCUSSION

General Condition of Research Areas

Ponorogo Regency is one of the districts in the East Java Province. The location of *Ponorogo* Regency is approximately 200 km to the south from the capital city of Surabaya Province. *Ponorogo* Regency is bordered by *Madiun* Regency, Magetan Regency, and *Nganjuk* Regency in the north, *Pacitan* Regency in the south, *Pacitan* Regency and *Wonogiri* Regency in Central Java Province in the west, and *Tulungagung* Regency and *Trengalek* Regency.

The geographical conditions of *Ponorogo* Regency are mostly in the lowlands, with a temperature of 27 degrees Celsius to 31 degrees Celsius. The area of *Ponorogo* Regency is around 1,371.78 *km2,* which consists of 21 sub-districts and 305 villages/ *kelurahan.*

The population of *Ponorogo* Regency is 899,328, consisting of 443,305 men and 456,023 women. Of the total population, 899,246 people are Indonesian citizens and 82 foreigners. The majority of the population in *Ponorogo* Regency is Muslim (99.42%). The livelihoods of the majority of the

population are farmers and farm laborers (42%).

Public infrastructure is available in *Ponorogo* regency, mosques, 4,509 mosques/mosques, churches with 20 pieces, 2 monasteries/temples. Educational infrastructure, kindergarten 390 schools, 699 elementary/*MI* schools, 158 junior high/*MTs* schools, high school/vocational/*MA*, 107 schools, 6 colleges, Islamic boarding schools as many as 12. Health facilities available, as many as public/private hospitals 6, Health Center and Assistant Health Center as many as 87, Medical Centers as

many as 4, *BKIA* as many as 9 and Family Planning Clinics as many as 1. Transportation facilities available in *Ponorogo* Regency are paved roads of 1010.69 km, *makadam* 149.10 km, and land 77.10 km.

RESEARCH RESULT

Data Description

The data used in this study is time series data which is annual data, which starts from 2006 to 2015. The data obtained in this study are shown in Table 1 as follows:

Table 1: Amount of Investment, Labor and *GRDP* of *Ponorogo* Regency

Years	Amount of Investment (in Rupiah)	Total Labor (in People)	Economic Growth (in percent)
2006	218000000	535084	4.98
2007	235000000	558326	4.93
2008	248000000	607931	5.56
2009	275000000	610190	5.34
2010	300000000	539781	5.78
2011	600000000	540011	6.21
2012	410000000	541725	5.98
2013	720000000	556514	5.17
2014	800000000	545767	5.28
2015	1100000000	547223	5.24

Source: *BPS Ponorogo*, various publications.

In accordance with the purpose of this study, quantitative methods are used that use multiple linear regression equations, with the following equation:

Y = a + b1 X1 + b2 X2 + e;

To avoid any bias in the study, the equation changes to:

Ln Y = a + b1 LnX1 + b2 LnX2 + e

DISCUSSION OF RESULTS

Data Quality Test

Before doing multiple linear regression and testing hypotheses, first test the quality of the data (testing of the

violation of classic assumptions). The results of a good hypothesis testing are tests that do not violate the three classic assumptions underlying the linear regression model, the three assumptions are as follows (Gujarati, 1995):

Autocorrelation

The autocorrelation test aims to determine whether there is a correlation between members of a series of observation data in time series. To detect the occurrence of autocorrelation in this study, the *DW* test was used by looking at the *DW* test correlation coefficient (Algifari, 1997).

In this study to see whether there is autocorrelation if the Durbin - Watson value is at 1.6413 - 23578, it means that there is no autocorrelation. The autocorrelation test results can be seen in the following table:

Table 2: Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.705[a]	.497	.354	.06190	1.723

a. Predictors: (Constant), Ln_X2, Ln_X1
b. Dependent Variable: Ln_Y

Based on the results obtained in the table in testing the value of Durbin Watson (*DW* test) shows that the *DW* test value is 1.723, and this number is between 1.6413 - 23578 which means that there is no autocorrelation.

Heteroscedasticity

Heteroscedasticity testing is done in a regression model, with the aim that whether a regression occurs inequality of variance from the residuals from each observation to another observation is different, then it is called heteroscedasticity. In this study, the results of heteroscedasticity can be seen in table 3.

Table 3: Heteroscedasticity test

			Ln_X1	Ln_X2	Residual
Spearman's rho	Ln_X1	Correlation Coefficient	1.000	.952[**]	-.139
		Sig. (2-tailed)	.	.000	.701
		N	10	10	10
	Ln_X2	Correlation Coefficient	.952[**]	1.000	-.236
		Sig. (2-tailed)	.000	.	.511
		N	10	10	10
	Residual	Correlation Coefficient	-.139	-.236	1.000
		Sig. (2-tailed)	.701	.511	.
		N	10	10	10

** Correlation is significant at the 0.01 level (2-tailed).

In the table, it can be seen that the significance value for all variables is> 0.05, so based on the data above, there is no heteroscedasticity.

Multicollinearity

Multicollinearity is a condition where one or more dependent variables are expressed as linear combinations with other dependent variables. The results of multicollinearity calculations for data on the amount of investment and labor as well as the Economic Growth of *Ponorogo* Regency can be seen in table 4 below:

Table 4: Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	Ln_X1	.442	2.262
	Ln_X2	.442	2.262

a. Dependent Variable: Ln_Y

Based on table 4 above all dependent variables have VIF <10, there are no symptoms of multicollinearity in the regression equation.

Hypothesis Testing Results

To find out the effect of investment and labor on the Economic Growth of *Ponorogo* Regency, a quantitative approach is used that uses multiple linear regression equations. To see the multiple linear regression equation from this study can be seen in the following table:

Table 5: Multiple Linear Regression

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-12.089	5.245		-2.305	.055
	Ln_X1	-.085	.053	-.648	-1.606	.152
	Ln_X2	1.160	.449	1.042	2.585	.036

a. Dependent Variable: Ln_Y

Y = a + b1 LnX1 + b2 LnX2 + e

Ln Y = -12,089 - 0,085 Ln X1 + 1,150 Ln X2 + e

From this equation can be explained the meaning of the numbers that make up the multiple linear regression equation.

1. *Kontanta* (- 12,089), means that if the free variable is zero (0), then the dependent variable is worth - 12,089. This means that if there is no investment and labor, then the economic growth of *Ponorogo* Regency will decrease by 12.089%

2. Investment Regression Coefficient (- 0.085), has meaning if the independent variable changes 1% then the dependent variable changes by - 0.085% in a negative relationship. This means that if the investment increases by 1%, the Economic Growth of *Ponorogo* Regency will decrease by - 0.085%

3. Labor Regression Coefficient (1,150), has meaning if the independent variable changes 1% then the dependent variable changes by 1,150% in a positive relationship. This means that if the workforce increases by 1%, the Economic Growth of *Ponorogo* Regency will increase by 1,150%

Partial Hypothesis Test Results (t-test) and simultaneous (F test)

From the results of data processing, it is known that the investment variable is obtained by t-count of - 1,606. This is when compared with the magnitude of the t table with a significant 0.05 which is known at - 2.364 then - t count is greater than - t table so that it shows Ha is rejected and Ho is accepted, which means that the investment variable does not affect the Economic Growth of *Ponorogo* Regency.

As for the labor variable, the results of t-count are 2.585. This is when compared with the magnitude of the t table with a significant 0.05 which is known to be 2, 364, then t count is greater than t table so that it shows Ha is accepted and Ho is rejected. This means that between investment variables affect the Economic Growth of *Ponorogo* Regency.

As for seeing the effect of investment and labor together, can be seen from the F test, with the results of this study as shown in the following table:

Table 6: ANOVA (Test F)

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	.027	2	.013	3.461	.090[b]
1	Residual	.027	7	.004		
	Total	.053	9			

a. Dependent Variable: Ln_Y

b. Predictors: (Constant), Ln_X2, Ln_X1

From the table, it can be seen that the calculated F value is 3.461. While the value of F table (2.7) in the level of error (α) 0.10 is 3.26. From this figure, it can be seen that the calculated F value (3.451) is greater than F table (3.26),

which means that together investment and labor have an effect on the Economic Growth of *Ponorogo* Regency.

Test results of the closeness of the relationship (correlation coefficient/r) and determination (R²)

From the results of data processing related to the closeness of the relationship between the variables of investment, labor, and Economic Growth in Ponorogoi Regency can be seen in the following table:

Table 7: Summary Model (R and R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.705ᵃ	.497	.354	.06190

a. Predictors: (Constant), Ln_X2, Ln_X1

From the table, it is known that the r value is 0.705, which means that the relationship between the variables of investment, labor, and economic growth in *Ponorogo* Regency is strong. While the coefficient of determination ($R^{2)}$) which shows how much the independent variable explains the dependent variable has a value of 0.497 This means that investment and labor can explain the Economic Growth of *Ponorogo* Regency by 49.7%, while the remaining 51.3% is explained by other variables which are not included in multiple linear regression equations.

Discussion of Results

From the results of processing the data, it can be seen from the constant value that there is an attachment between investment and the number of Indonesian workers from *Ponorogo* Regency to Economic Growth. As stated by Kusnadi (1998) that economic growth is influenced by several factors, namely: investment, exports, and labor. These three variables have a positive effect on economic growth. Likewise, the results of research conducted by Supranto (2004), which states that economic growth is influenced by foreign investment, the total value of exports, total employment, domestic savings, and foreign debt.

This proves that there is significant influence between investment and labor on the Economic Growth of *Ponorogo* Regency. It can be seen if the two variables (investment and labor) are worth 0, meaning that there are no activities in both of these variables, then Economic Growth will judge a decrease of 12.089%. This can be understood that investment and labor are very influential on the Economic Growth of *Ponorogo* Regency.

From the results of data processing obtained by the regression variable investment coefficient of - 0.085, which means that if there is an increase in investment variables in *Ponorogo* Regency experiencing an increase of 1% it will cause a decrease in *Ponorogo* Regency Economic Growth variable by 0.085% assuming other variables are constant. From the results of the significance test, the changes that occur in the investment variable do not have a significant effect on the variable changes Economic growth in *Ponorogo* Regency at a significance level of 0.05 or 5%. However, if using a significance level of 0.20 (20%) indicates there is the influence. This shows that the effect of the investment on economic growth is relatively small. So that it can be said that the effect of the investment on economic growth in *Ponorogo* Regency is considered to be less significant.

Besides that, there is no significant investment in economic growth, this shows that investment in *Ponorogo* Regency whose investment has been realized has not been able to optimally encourage economic growth. Investment in *Ponorogo* Regency is only focused on a number of sectors and has not been evenly distributed in all sectors so that economic growth has increased but not significantly. Investment is a key driver of the economy, both from *PMDN* and *PMA*, certainly needed to achieve an economic growth target where economic growth is an important element in a development process. Besides that, the increase in investment is not supported by natural resources that are not optimal, such as human resources that do not have good skills, damaged or perforated infrastructure, investors will think they will increase production costs, of course before investors invest in their regions already have their own calculations in order for a return of investment to occur.

While the results of data processing obtained by the regression variable labor coefficient of 1,150 and a positive sign which means that if there is an increase in the variable labor in *Ponorogo* Regency of one (1) %, it will cause an increase in *Ponorogo* Regency Economic Growth variable by 1,150 percent assuming other variables are constant. This shows that the development that occurs in the variable workforce in *Ponorogo* Regency will also influence the magnitude of the development of the *Ponorogo* Regency Economic Growth.

With the investments made both by the government and by the private sector, production activities occur that can create jobs and community income (Tambunan, 2001). The role of investment, both government investment and private investment is very important in economic growth through economic development, because investment activities not only increase overall demand (aggregate) but also increase aggregate supply through its influence on increasing production. With increasing production, productivity will also increase, so that in the long run investment will increase capital, and with the addition of capital will also increase the ability of the community to produce the output which will ultimately increase economic growth and is expected to also increase employment opportunities (Sukirno, 2004)

From the results of the significance test, it is proven that the changes that occur in the labor variable have a significant effect on the changes in the variable of Economic Growth in *Ponorogo* Regency at a significance level of 0.05 or 5%. The high number of workers will increase Economic Growth in *Ponorogo* Regency with significant influence.

By looking at the results of this study, the role of Indonesian labor is very large on economic growth, which must be passed through economic development. Economic development essentially aims to improve people's welfare. In order to improve the welfare of the community, it is necessary to increase economic growth as measured by the high economic growth of a region.

CONCLUSION

The conclusions obtained from this study are:

1. Investment does not affect the Economic Growth of *Ponorogo* Regency
2. Labor has a positive and significant influence on the Economic Growth of *Ponorogo* Regency
3. Investment and Labor together influence the Economic Growth of *Ponorogo* Regency.

The suggestions from this research are as follows:

1. It takes the effort to increase the value of the investment, by creating a conducive climate (for example by facilitating licensing procedures) for the implementation of various investment projects.

2. There should be a variety of incentives from the local government, will be able to attract investors both inside and outside the region/country.

3. Need to use more labor-intensive technologies.

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