

## **BUILDING NEW TOURIST ATTRACTION: JOB CREATION OR JOB DESTRUCTION**

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### **Abstract**

We study how growth on tourist attractions in a city impacts on job creation and job destruction. Tourist attraction develop so fast, and many of this attractions is not just attractions with nature theme. This study based on growth on tourist attractions in Batu city, Malang, East Java – Indonesia that develop so fast in year 2004 – 2013. In this development, building a new tourist attraction reduce agriculture, farming and forestry land. This change make a new tourist attraction as a contributor of job destruction in other sector. Whereas agriculture, farming and forestry sectors contribute much of local revenue. Batu is famous because it is the biggest apple farming areas in indonesia. Before 2000s, agriculture products from batu is big. But in recent time, as the fast development of Batu, mainly in tourism and service sector, make a pressure to farming and agriculture land. Fast economy growth also make environment problems for batu. The Batu's temperature in the past is low but it is higher or warming so the agriculture products like apples now reduce. Vegetables farmers also get the effects. But building a new tourist attraction also open a new job oppurtunities, like job in restaurant, resort, villa and as employee in that new attractions. Economic's growth also become bigger mainly in tourism and service sector. But this reduces economy from other sector. This is a trade off for batu that want increase economic's growth. the problem is this development really make job creation more than job destruction. Data that used for this study are mainly national secondary data that is composed and using social accounting matrix (SAM) in national level.

**Keywords:** Job creation, Job destruction, Tourist attraction, SAM.

## **1. INTRODUCTION**

### **1.1 Introduce the Problem**

Batu is a town that is famous because of its agriculatural products. Agriculture product that mainly produced ini this town is the apple fruit. Because of that, batu has a status as town of apple. Apple grow so well in this town. With cool temperature, apples, fruits, vegetables and some kind of flowers can grow well in this region. Agriculture unquestionably is an important economic sector for batu.

In the few last years, many new tourist attraction have been built in batu. Batu with its cool climate attracts tourist from surrounding region in east java like malang and surabaya to visit. The new attractions that have been built in batu have interesting concepts. Some kind of tourist attraction is apple farm, zoo, transportation museum, animal museum, flower park, forest, waterfall and playground. All these tourist attraction make economic development of batu is better than another city in east java.

This fast economic growth of batu also has negative side. The negative side is the contribution of agriculture sector to the batu economy is decreasing. In the past, farm land dominate the land use in batu. But, the changing land use from farming land to tourust attraction and business push the agriculture sector in this town.

According to Lestari (2009), the process of conversion of agricultural land to non-agricultural use is caused by several factors. Three important factors that lead to conversion of agricultural land to non-agricultural use

is

1. External factor is a factor caused by the dynamics of urban growth, demographic and economic
2. Internal factors which over lokkthis factor caused by the socio – economic condotion of the farm household land users.
3. Policy factors are aspects of regulations issued by the central and local governments with regard to changes in agricultural land use. Weaknesses in aspects of regulation or legislation itself primarily with issues related to the force of law, sanctions for violations, and object accuracy forbidden land coverted

The problem in batu , of course, is about the changing land use from agriculture to non agriculture use because of the push from economic growth in this town that is so fast. There are still question” is this changing land use make job creation or job destruction?’

## 1.2 Explore Importance of the Problem

Dale T. Mortensen and Christopher A. Pissarides (1993) show us that Recent microeconomic evidence from the U.S. and other countries has shown that large job creation and job destruction flows co-exist at all phases of the business cycle. Individual establishment have diverse employment experiences even within narrowly defined sectors and regardless of the state of aggregate conditions. In this paper, we will see what business sector that is affected directly and affected indirectly. We will see how this changes affect the economy overall in tih region.

## 1.3 Describe Relevant

### 1.3.1 Conceptual model of Job creation and job destruction

Job creation and job destruction can be the result of entry or exit of firms and of growth or decline in labour demand in existing firms. As such, job destruction and creation is undeniably connected to structural change in the agricultural sector and the change in farm size distribution (Ahearn et al., 2009). In order to simplify the theoretical exposition, the underlying conceptual model focuses primarily on the growth and decline in labour demand on existing farms. The exit and entry of farms is fully taken into account in the empirical analysis. According to Klein et al., (2003), there are two sources of firm specific gross job creation and destruction within a narrowly defined industry. Firms may have structural differences or firms may have a common structure but face idiosyncratic shocks.

Job creation and job destruction typically use an econometric system for analysis. In contrast to previous studies that centered on one sector, in this tudy the authors link the impact of changes in the tourism sector which is related to the diversion of agricultural land or plantation function with job creation and job destruction. This study uses several different sectors, therefore we chose to use the SAM approach as analysis tool

### 1.3.2 Impact of Tourism Sector Development

According to Spillane (1989), tourism development is very rapid and concentrated can cause various effects. In general, the impact is positive impacts and negative impacts. The positive impact of tourism development include; (1) expanding employment; (2) increasing business opportunities; (3) increase income; (4) the preservation of local culture; (5) knew the local culture by tourists. While the negative impacts of tourism will lead to; (1) the occurrence of additional population pressure due to new entrants from outside the area; (2) the onset of commercialization; (3) development of consumptive lifestyle; (4) disruption of the environment; (5) the limited agricultural land; (6) digestion culture; and (7) terdesaknya local community.

Meanwhile, according to Abdurrachmat and Maryani E. (1998), which mentions an organization of tourism activities and attractions can provide at least there are 5 points positive impact, among other things:

- a. State foreign exchange earner.
- b. Spreading development.
- c. Create jobs.

- d. Spur economic growth by doubling effect (multiplier effect).
- e. Insights about the community of nations in the world is getting wider.
- f. Pushing the increasing education and skills of the population.

Abdurrachmat and Maryani E. (1998) explained the negative impacts arising from tourism economically, namely:

- a. Increasing competition in prices between sectors.
- b. Higher land prices.
- c. Encourage the emergence of inflation.
- d. Danger to the high dependence of the state's tourism economy.
- e. The increasing trend of imports.
- f. Creates costs that much.
- g. Changes in the value system of morals, ethics, beliefs, and governance relationships within the community, for example, worked together to erode the life, manners and more.
- h. Facilitate espionage and the spread of drugs.
- i. Can increase environmental pollution such as litter, vandalism (graffiti), destruction of flora and fauna habitat specific, pollution of water, air, soil, etc..

### 1.3.3 Influence of Tourism and Economy

Yoeti (1997) states that tourism not only as a source of income, but also a factor in determining the location of industry in the development of the poor areas of natural resources so that the development of tourism is one way to improve the economy in areas that are less developed as a result of the lack of natural resources. Furthermore, the tourism potential is everything contained in a tourist destination, and is an attraction that people would come to visit the place. The development of alternative tourism area is expected to support both economic potential and conservation efforts. Tourism development is done with re-arrange the various potentials and natural resources and biodiversity in an integrated manner.

While Gunn (1988), defines tourism as an economic activity must be viewed from two sides of the demand side (demand side) and the supply side (supply side). Gunn further argues that the success in the development of tourism in a region highly dependent on the ability of planners to integrate both sides, these are balanced to within a tourism development plan.

While more detailed Robert (1990) adds that agility in trying to do so that revenue during the tourist arrivals could be a counterweight to the tourist low season. Impact of tourism on the economy caused by the two characteristics, the first tourism product can not be stored, then the demand is highly dependent on the season, meaning there is no activity in a given month high, while in other months there is little activity.

### 1.3.4 Social Accounting Matrix (SAM)

In this part, there are some studies that is relevant with these studies about economics that analysis the economic structure of a country using model Social Accounting Matrix (SAM) that is commonly used. Before that, the sistem analysis indeks link with application SAM model was developed by Rasmusen (1956) dan Hirschman (1958) in the (Djoni, 2005), to see the link between sectors mainly to make strategy development strategy. Then, this concept is regenerated by Cella (1984) and used by Clements and Rosi (1991).

otherwise, SAM analysis model is one of analysis tools that can be used to review some production activity between sectors, between countries, region, place or city, (Andi dan Aris, 2005). SAM model is economic traditional scale double entry matrix form partitions that records all economic transactions between agents, particularly among sectors in the production block, sectors in the block (including household) and

intitutional sectors within a block of the factors of production in an economy (Hartono and Resosudarmo, 1998).

SAM model can also be used to see the linkages between key sectors and fundamental sectors of the economic structure in an economy. Tohamny dan Swinscoe (2000) has been researching on the impact of tourism on the economy in egypt through tourist spending on hotels and restaurants. This study use economic impact analysis methodology (economic impact analysis) to know direct effect and indirect effect from tourist spending to the output, value added, job oppurtunities, and tax revenue. Traveler spending by 2 to 3 times shared and direct impact on the output total tourist expenditure in 1999 was \$3.6 billion (4,4% of GDP). By adding the indirect effects, the total contribution to the output reached 9.6 billion (11, 6% of GDP).

## **2. METHODS**

### **2.1 Data Collection Techniques**

This study used a literature study, where the data used are secondary data related to the purposes of this study, by taking limits on the production sub-sector of data is closely related to the tourism sector in Indonesia.

### **2.2 Types of Data Collected**

This study will use data SAM in 2008. SAMs also an accounting system in which social variables and economic arranged in the form of balance-sheet that has a debit side and the credit side and both sides are always in a state of balance.

More specifically, the data used SAM is the size of 36 x 36 that have been found are listed in the tourism sector of the code. The tourism sector includes trade, restaurant and hospitality, transport and communication, personal services, and households.

### **2.3 Operational Definition**

#### **a. Tourism Sector**

In this study, the tourism sector in question is included in the production sub-sector comprising trade, restaurant and hospitality, transport and communication, personal services, and households.

#### **b. Labor**

Labor is labor is in all sub-sectors, including: agricultural labor; production workers, transport equipment operators, manual and unskilled laborers; labor administration, sales, services; labor leadership, management, military, professionals and technicians.

### **2.4 Method of Analysis**

The methodology used in this research is a method of Structural Path Analysis (SPA). SPA method is the incorporation of techniques that are based on the decomposition of Social Accounting Matrix (SAM). This system can be known from three effects, namely:

- a. The direct effect (Direct Influence)
- b. Effect of Total (Total Influence)
- c. Global Influence (Global Influence)

### **2.5 Social Accounting Matrix**

Social Accounting Matrix (SAM) presents a cycle of interdependence in the economic system that is among the sectors of production, factorial income distribution, and the distribution of income among institutions or specifically in the household socio-economic groups.

SAM can be used as a basis for modeling simple. Specifically, injection of exogenous influence on the

economic system can be seen through the multiplier analysis. For this purpose the necessary decomposition of SAM into endogenous and exogenous transaction. Balance of Endogenous factors include Production, Institutions, and Production Sector. While the balance sheet consist of exogenous trade margins and transport, domestic commodities, commodity imports, the balance of capital, and the government.

Table one shows the decomposition and transformation includes three endogenous transaction. Matrices are row covers, T13 which is the allocation of value added generated by production activities into various income factors of production; T33 provides an overview of intermediate inputs (input-output transactions matrix); T21 map the distribution of income to various groups factorial factorial households to various groups of households (households differentiated according to social and economic ristik chara); T22 explaining income transfers within or between groups of households; and finally T32 meref leksikan spending patterns of various institutions (especially class households) of the different commodities (production activities activity) they consume.

Table 1.1. Schemes Simple Social Accounting Matrix (SAM)

			Pengeluaran				Total
			Endogen			Eksogen	
			Faktor	Rumah tangga	Aktifitas Produksi	Jumlah Transaksi Lainnya	
			1	2	3	4	
Penerimaan	Endogen	Faktor	0	0	T <sub>13</sub>	x <sub>1</sub>	y <sub>1</sub>
		Rumah tangga	T <sub>21</sub>	T <sub>22</sub>	0	x <sub>2</sub>	y <sub>2</sub>
		Aktifitas Produksi	0	T <sub>32</sub>	T <sub>33</sub>	x <sub>3</sub>	y <sub>3</sub>
	Eksogen	Jumlah Transaksi Lainnya	L' <sub>1</sub>	l' <sub>2</sub>	l' <sub>3</sub>	t	y <sub>x</sub>
	Total	y' <sub>1</sub>	y' <sub>2</sub>	y' <sub>3</sub>	y' <sub>x</sub>		

Source: Defourny and Thorbeckel, 1984, p.112

### Structure Analysis (Structural Path Analysis)

The concept of influence can be divided into three different quantitative intrapretation namely (1) Direct Impact (direct influence), (2) Effect of Total (total influence) and (3) Global Influence (global influence)

## 3. RESULTS

### 3.1 The influence of the tourism sector to job creation and job destruction

#### 3.1.1 Structure Analysis (Structural Path Analysis)

In the SAM table describes the ties between the tourism sector and a wide range of workers with different levels of influence. We focus this research on agricultural labor and non- agricultural wage and salary or lower class workers. In the SAM table testing in 2008 there has been a visible bawasannya Global Effect, Direct Effect, Indirect Effect and the results of a calculation using the MATS.

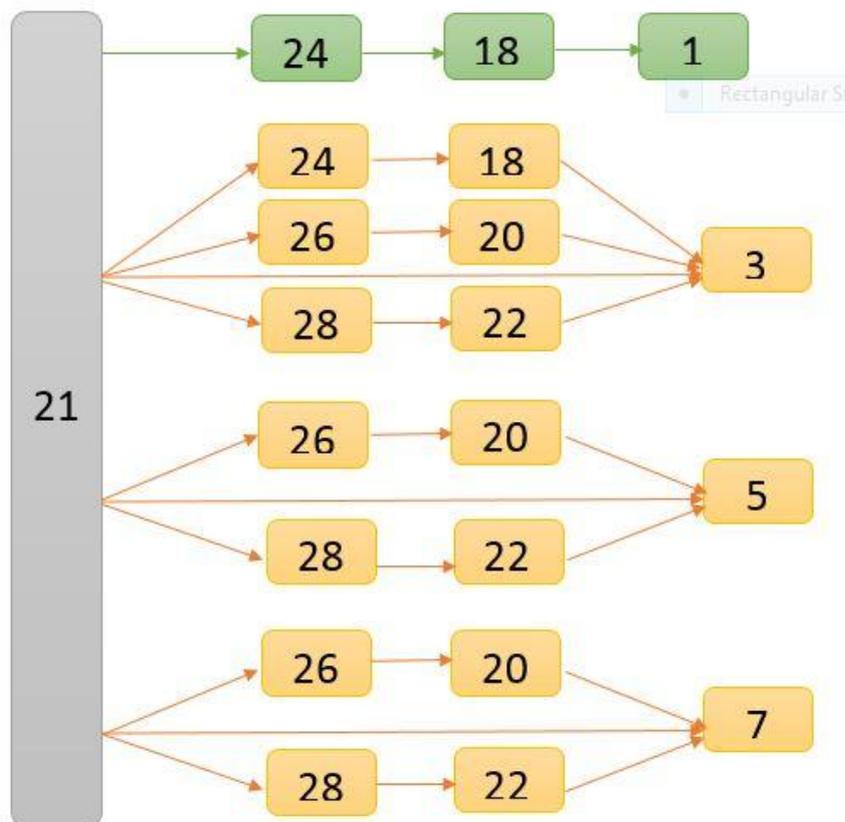
**Table 1.2. SPA Tourism Sector Influence on Employment in 2008**

Path	Global Effect	Direct Effect	Total Effect	Inderect Effect
21, 24, 18, 1	0.051	0.004	0.013	0.009
21, 3	0.168	0.043	0.081	0.038
21, 24, 18, 3		0.002	0.007	0.005
21, 26, 20, 3		0.013	0.036	0.023
21, 28, 22, 3		0.001	0.002	0.001
21, 5	0.257	0.117	0.217	0.100
21, 26, 20, 5		0.003	0.008	0.005
21, 28, 22, 5		0.006	0.012	0.006
21, 7	0.064	0.013	0.024	0.011
21, 26, 20		0.001	0.004	0.003
21, 28, 22, 7		0.007	0.014	0.007

Sources: compiled from table SAM 2008

From the results of these regressions produce a path as shown in the following diagram.

Figure 1.1 : transmission influence the tourism sector workforce in 2008



Source: based form the result of Social Accounting Matrix

**Description:**

Sector	Code	Sub Sector
Production Sector Tourism	21	Trade, restaurant & hospitality, transport and communication, personal and household services
Factors of Production Labor Agriculture and non-agricultural	1	Agriculture
	3	Production, transport equipment operators, manual and unskilled laborers
	5	Clerical, sales, services
	7	Leadership, management, military, professionals and technicians
Production sector	18	Agricultural crops, livestock, fisheries, food industry
	20	Mining, except for the food processing industry, electricity, gas, and water
	22	Financial institutions, real estate, government, social and cultural services, entertainment services
Domestic commodities	24	Agricultural crops, livestock, fisheries, food industry
	26	Mining, except for the food processing industry, electricity, gas, and water
	28	Financial institutions, real estate, government, social and cultural services, entertainment services

**Agricultural labor**

Changes in the tourism sector expenditure relationship (trade, restaurant & hospitality, transport and communication, personal and household services) to the agricultural labor wage and salary there is one path, ie 21 → 24 → 18 → 1. On the track there is a global effect and the direct effect of 0.051 by 0.004, this pathway also has the indirect effect of 0.009. indirect effect is greater than the direct effect, which means the influence of the tourism sector expenditure (trade, restaurant & hospitality, transport and communication, personal and household services) to the agricultural labor wage and salary only slightly.

**Non-agricultural labor (production, transport equipment operators, manual and unskilled laborers)**

Changes in the tourism sector expenditure relationship (trade, restaurant & hospitality, transport and communication, personal and household services) to the non-agricultural labor (production, transport equipment operators, manual and unskilled laborers), there are four lines which have a global effect by 0.168, lines include:

first: 21 → 3

In this pathway between the tourism sector expenditure by non-agricultural labor (production, transport equipment operators, manual and unskilled laborers) there is a direct relationship without going through other sectors, the direct effect and the indirect effect of 0.043 for 0.038

second: 21 → 24 → 18 → 3

on this line relationship between changes in the tourism sector expenditure by non-agricultural labor (production, transport equipment operators, manual and unskilled laborers) through the intermediary of domestic commodities (Agricultural crops, livestock, fisheries, industry) and production sectors (Agriculture crops, livestock, fishing, food industry). Of these intermediaries are indirect effect by 0.005

third: 21 → 26 → 20 → 3

on this line relationship between changes in the tourism sector expenditure by non-agricultural labor (production, transport equipment operators, manual and unskilled laborers) through the intermediary of domestic commodities (mining, processing industries except food, electricity, gas, and water) and production sectors (Mining, except for the food processing industry, electricity, gas, and water). Of these intermediaries are indirect effect by 0.023

Fourth: 21 → 28 → 22 → 3

on this line relationship between changes in the tourism sector expenditure by non-agricultural labor (production, transport equipment operators, manual and unskilled laborers) through domestic commodity intermediaries (financial institutions, real estate, government, social and cultural services, entertainment services) and production sectors (financial institutions, real estate, government, social and cultural services, entertainment services). Of these intermediaries are indirect effect of 0.001

### **Non-agricultural labor (venture, Sales, Services)**

Changes in the tourism sector expenditure relationship (trade, restaurant & hospitality, transport and communication, personal and household services) to the non-agricultural labor (venture, Sales, Services) there are three pathways to the global effect of 0.257, among other pathways :

first: 21 → 5

In this pathway between the tourism sector expenditure by non-agricultural labor (venture, Sales, Services) there is a direct relationship without going through other sectors, the direct effect and the indirect effect of 0.117 for 0.100

second: 21 → 26 → 20 → 5

same as indirect pathways in non-agricultural sector earlier, on the second line there are also two intermediate sectors that gave rise to the indirect effect is greater than the direct effect is 0.005

third: 21 → 28 → 22 → 5

the third pathway is the direct effect and indirect equally large effect is 0.006

### **Non-agricultural labor (leadership, management, military, professionals and technicians)**

Changes in the tourism sector expenditure relationship (trade, restaurant & hospitality, transport and communication, personal and household services) to the non-agricultural workforce (leadership, management, military, professionals and technicians) there are three pathways to the global effect of 0.064, the path between Other:

The first: 21 → 7

In this pathway between the tourism sector expenditure by non-agricultural workforce (leadership, management, military, professionals and technicians) there is a direct relationship without going through other sectors, the direct effect and the indirect effect of 0.013 for 0.011

second: 21 → 26 → 20 → 7

indirect effect on both lines is greater than 0.003 direct effect of 0.001

third: 21 → 28 → 22 → 7

indirect effect on the third track and direct effects show the same number that is equal to 0.007

## **3.2 Comparison based on the global effect of SAM**

From the data above the influence of the tourism sector, the agricultural labor force has the smallest global effect, that is equal to 0.051 compared to non-agriculture. That means that the tourism sector is less influential on the development of agricultural labor and actually reduce the performance of the agricultural sector, in contrast to non-agricultural labor, especially on labor administration, sales, and services, the

tourism sector has a big influence, namely 0.257. The magnitude of this effect showed that the presence of the tourism sector adds to the development of manpower in the areas of administration, sales, and services. Besides other influences are also seen in terms of revenue earned, the employee becomes more profitable than being a farmer. People who originally farmed to change his job as an employee in the tourism sector. In other words, based on a global comparison of the effect of SAM job destruction raises the tourism sector in the agricultural sector and led to job creation in the non-agricultural sector in particular areas of administration, sales, and services.

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