Analysis of Factors That Influence the Provincial Minimum Wage in SUMBAGSEL

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How to Cite:

ARTICLE HISTORY
Received [06 October 2023]
Revised [05 December 2023]
Accepted [15 December 2023]

KEYWORDS
Provincial Minimum Wage, Gross Regional Domestic Product, Per Capita Consumption, and Consumer Price Index

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ABSTRACT
This research plans to look for the influence of the SUMBAGSEL Province Minimum Wage variable from 2015 to 2022. For this examination, the Fixed Effect Model (FEM) panel data is investigated. For this research, we used secondary data (time series) from 2015–2022. Apart from that, we used cross section data from five provinces in SUMBAGSEL, namely Bengkulu, Lampung, South Sumatra, Jambi and the Bangka Belitung Islands. We also used the EVIEWS version 12 program. This test shows that the Gross Regional Domestic Product variable has a significant positive effect on the Provincial Minimum Wage in SUMBAGSEL. Per Capita Consumption does not have a significant effect on the Provincial Minimum Wage in SUMBAGSEL, and the inflation and CPI variables have a significant negative effect at the Provincial Minimum Wage in SUMBAGSEL.

INTRODUCTION
Wages are what Sadono Sukirno (2002: 353) says, remuneration that a person receives in a business relationship in the form of cash or products through a work agreement, and is expected to be able to overcome the problems of himself and his family, Sadono Sukirno (2002: 353)

In the regulations of Article 1 Paragraph 30 of Law Number 13 of 2003, namely the rights of workers or laborers are given by entrepreneurs or employers in the form of money to them which is determined and then paid by work agreement, provisions of statutory regulations, can be in the form of allowances for them and their family members from the work and services performed.

One of the employment policy instruments that is truly important in the context of economic development and worker welfare in Indonesia is the Provincial Minimum Wage (UMP). Provincial Minimum Wage provisions in each province have a direct impact on workers’ income,
purchasing power and social welfare. The Provincial Minimum Wage is not just a statistical figure; it affects the lives of thousands of workers across Indonesia.

At various levels of government, trade unions, and the academic community, the issue of the Provincial Minimum Wage has become a major concern in recent years. It is very difficult to determine a Provincial Minimum Wage that is fair and sustainable because many factors can influence the decision regarding the amount of the Provincial Minimum Wage in each province. As a result, analysis of the influence components have on the Provincial Minimum Wage is essential to understand the dynamics behind this policy.

The main objective of this study is to seek a comprehensive analysis of the factors that influence the determination of the Provincial Minimum Wage in SUMBAGSEL Province. This study also aims to identify economic, social and policy factors that influence the amount of the Provincial Minimum Wage at the provincial level, as well as to explain the relationship between these factors and the amount of the Provincial Minimum Wage and its impact on employee welfare.

In the Provinces in SUMBAGSEL there are differences in the Provincial Minimum Wage in each region which can be seen from diagram 1, the Bangka Belitung Islands Province has the highest Provincial Minimum Wage compared to other Provinces, however in 2022 there will be a decrease in the Provincial Minimum Wage in the Babel Islands Province. In 2022, South Sumatra Province will experience an increase and will have the highest Provincial Minimum Wage in SUMBAGSEL, while Bengkulu Province will have the lowest Provincial Minimum Wage in SUMBAGSEL.

This study is very relevant in the context of employment policy decision making in SUMBAGSEL. The results of this analysis can help policymakers, trade unions and employers create fair and sustainable policies regarding minimum wages.

Apart from that, this study serves as an important background for researchers and academics if they want to conduct further research on the issue of the Provincial Minimum Wage and its impact on employment and the economy in SUMBAGSEL. Therefore, this research has the potential to make a positive contribution to efforts to improve the social and economic welfare of the provincial community in SUMBAGSEL.

Several sections of this research will be discussed. Several sections will include a literature review of Provincial Minimum Wage theories and the factors that influence them; research methodology used; data analysis; main results; and policy advice. The following text will explain each section in detail.

Therefore, this study is expected to provide further information about the variables that influence the provincial minimum wage in SUMBAGSEL Province. This information will help create better and more sustainable policies in the future.
LITERATURE REVIEW

Minimum Wage

Provincial Minimum Wage (UMP) is the minimum wage that must be paid to workers in a certain province or region in Indonesia. The Provincial Minimum Wage is set by the provincial government based on factors such as inflation, cost of living, and economic growth.

The Provincial Minimum Wage is very important to protect workers' rights and prevent labor from being exploited. Workers in a province or territory have a guarantee that they will receive wages that are at least sufficient to meet their basic needs at the Provincial Minimum Wage.

Every year, provincial governments review and set a new Provincial Minimum Wage for their region. Determination of the Provincial Minimum Wage involves various stakeholders, including the government, worker representatives and employer representatives. Provincial Minimum Wages can differ from one province to another, because economic conditions and the cost of living can differ in each region.

Gross Regional Domestic Product

Gross Regional Domestic Product (GRDP), Gregory Mankiw (2013: 6) conveys market figures for all finished goods and services produced in a region during a certain time period. From an economic perspective, inputs, such as labor, and capital, are converted into output.

According to Alan Mundi Wibowo (2018), the PAM test results show that the Consumer Price Index variable has a significant influence on short to long term Regional Minimum Wages; the Gross Regional Domestic Product variable has a significant influence on the Regional Minimum Wage in the short to long term; and the Labor Force Participation Rate (TPAK) variable does not have a significant influence on the Regional Minimum Wage in the short to long term.

According to Ilham Kristanto (2013), MSEs in Jember have a positive and significant influence on Decent Living Needs and Gross Regional Domestic Product. Meanwhile, inflation has a positive but not significant impact on MSEs in Jember.

Febrika Nurtiyas (2016), based on tests carried out, Gross Regional Domestic Product has a significant negative influence on the provincial minimum wage; the labor force participation rate variable has a significant negative influence on the provincial minimum wage; and the consumer price index variable does not have a significant effect.

Per Capita Consumption

James (2001) states that per capita consumption covers all the use of goods and services carried out by humans when meeting their daily needs. Goods and services used in the production process are not included in consumption because they are not used to fulfill human needs. However, goods and services used during the production process are used when making other products.

As shown by Mankiw (2013), per capita consumption has an important meaning in spending on labor and products by the family. The meaning of merchandise here includes family spending on long-lasting products, such as vehicles and family hardware, and for goods that are not difficult, for example food and clothing. Meanwhile, what is meant by services here includes products that not concrete, for example hairdressing and health services.

Keynes' hypothesis relied on measurable investigations and further made conjectures about consumption in light of introspection and observation. According to Keynes, every increase in wages that occurs in the public sphere will be used to increase consumption, but the magnitude of the utilization trend is rarely negative and more than one.

Inflation

The inflation rate is the percentage increase in prices in a year compared to the previous year. Meanwhile, the general price increase that occurs in an economy in a certain period of time
is called inflation in the explanation (Sukirno, 2015). Due to the decline in the value of the monetary unit of calculation against commodities, inflation can be considered a monetary event (Adiwarman, 2010).

According to Boediono (2008), the short meaning of inflation is the tendency of costs to increase massively and consistently. An increase in the costs of just a few products is not called inflation. The prerequisites for a continuous vertical pattern should also be underlined. Increases in costs caused, for example, due to irregularities, pre-events, disasters, etc., which are only temporary are not called inflation.

The equation is that the amount of money in circulation multiplied by money movements by prices multiplied by transactions, then the amount of money in circulation increases, prices will increase, resulting in inflation.

The inflation hypothesis according to Keynes accepts that inflation does not only occur because of the large amount of money circulating for use but also because of the large amount of public interest in services and products.

**Consumer Price Index (CPI)**

According to Mankiw, Quah, and Wilson (2012). The Consumer Price Index (CPI) is the proportion of the total cost of services and products purchased by buyers. The CPI estimates changes in costs for most everyday items. Ultimately, the CPI tries to measure how much wages need to increase to maintain a consistent way of life. Government statisticians regularly calculate and report the consumer price index (CPI). CPI is obtained by calculating the costs of labor and products consumed by the general public in a certain period. Each labor and product cost is weighted based on the level of need.

According to the center for statistics (2016) the consumer price index (CPI) is a financial marker that provides data on labor and product costs paid by buyers. The CPI calculation is carried out to maintain changes in purchasing costs at the consumer level (purchasing costs) from a number of workers and products that are mostly consumed by the general public.

According to Armidi; Erfit; Yulmardi (2018) The Consumer Price Index influences the Provincial Minimum Wage, but the Labor Force Participation Rate does not partially influence it.

According to GAUSSIAN (2016) While Gross Regional Domestic Product has no impact on District/City MSEs in Central Java Province, the Consumer Price Index has a significant negative impact in Districts/Cities in Central Java Province.

According to Armidi, Erfit, and Yulmardi (2018), the labor force participation rate and consumer price index have a significant negative impact on the minimum wage in Jambi province. The labor force participation rate has a partial impact on the Jambi provincial minimum wage, while the consumer price index has a significant negative impact on the provincial minimum wage.

**METHODS**

First, the model is estimated using the goodness of fit test; then a regression model is used to calculate the impact of Gross Regional Domestic Product (GRDP), Per Capita Consumption, Inflation, and Consumer Price Index (CPI), on the Provincial Minimum Wage in SUMBAGSEL. From the model specification tests that have been carried out, the regression model used to calculate the impact of Gross Regional Domestic Product, Per Capita Consumption, Inflation, and Consumer Price Index on the Minimum Wage in this study uses secondary data from BPS. The data used for this study are UMP (Y), GRDP (X1), Per Capita Consumption (X2), Inflation (X3), and Consumer Price Index (X4). SUMBAGSEL Province, which consists of five provinces from 2015 - 2022. The basic model used in this research is:

\[
Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \varepsilon_{it} = + + \beta_4 X_{4it} + \varepsilon_{it}
\]

Information:
RESULTS

Panel Data Analysis

ADP is a combination of time series and cross section information. In data information, there are four models that can be used, namely the pooled OLS model, the fixed effects least dummy variable (LSDV) model, the fixed effects within-group model and the random effects model (Gujarati, 2013: 241).

Test Chow

The Chow test is useful in identifying significant differences between two or more groups in a regression model for making decisions and analyzing data whether to use the CEM or FEM model. Based on the processed data in table 2, the prob value is 0.0000 < α 0.05, then the FEM model is used.

Haustman test

Haustman test to determine the best model for panel data regression using the REM method or FEM model (Gujarati, 2003). Because the prob value is 0.0000 < α 0.05, the FEM model is the best.

Heteroscedasticity Test

According to this test, if the predictor value changes, the residual variability (error) of the regression model will remain the same. The variables Gross Regional Domestic Product (X1), per capita consumption (X2), and inflation (X3) and Consumer Price Index (X4) influence the UMP (Y) in SUMBAGSEL Province simultaneously. Based on data analysis, the residual variance does not cross (500 and -500), which indicates that the residual variance is the same. Therefore, there are no symptoms of heteroscedasticity or the heteroscedasticity test passes, 0.05.
Hypothesis testing

Hypothesis testing is used to determine whether the dependent variable influences the independent variable. This study utilized a significance level of \( \alpha = 0.05 \).

**1. F test**

Based on the results of the data processing in the table above, the calculated F value is 73.38663, which is higher than the F table, namely 2.641465 and the significance value is 0.000000 < \( \alpha = 0.05 \), so the decision Ho is rejected and Ha is accepted, meaning the variables Gross Regional Domestic Product (X1), Per Capita Consumption (X2), Inflation (X3), Consumer Price Index (X4) have a simultaneous effect on the Provincial UMP (Y) in SUMBAGSEL.

**Coefficient of Determination Test ( R2 )**

The adjusted R square value is 0.949846 or 94.9846%, meaning that the variables Gross Regional Domestic Product (X1), Per Capita Consumption (X2), Inflation (X3), and (X4) Consumer Price Index are able to explain the provincial UMP (Y) variable in SUMBAGSEL. The remaining 94.9846% of 5.0154% is said to be other variables that are not included in this research model.

**3. T test**

The cause of the independent variable to the dependent variable partially From the processed data above, the regression equation is obtained:

\[
(Y) = -2.069791 + 0.000158(X1) + 0.000713(X2) + -0.032434(X3) + -0.006399 (X4)
\]

The influence of the independent variable on the dependent variable is partial.
1. The constant number \(-2.069791\) means, if the variables Gross Regional Domestic Product, Per Capita Consumption, Inflation and CPI are constant (zero), then the Provincial Minimum Wage is \(-2.069791\).

2. The GRDP variable \((X1)\) has a sign value of \(0.0000 < \alpha < 0.05\), so the decision \(H_0\) is rejected and \(H_a\) is recognized. The GRDP variable has an impact on the UMP of \(0.000158\). This means that assuming GRDP experiences an increase of 1,000,000 rupiah, the UMP figure will increase by \(0.000158\) (positive influence does not support the hypothesis).

3. The Per Capita Consumption variable \((X2)\) has a sign value of \(0.2969 < \alpha < 0.05\), so the decision \(H_0\) is accepted and \(H_a\) is rejected. The Per Capita Consumption Variable \((X2)\) has no effect on the Provincial Minimum Wage.

4. The inflation variable \((X3)\) has a sign value of \(0.0433 < \alpha < 0.05\), so the decision \(H_0\) is rejected and \(H_a\) is recognized. The inflation variable has an impact on the UMP of \(0.032434\), actually means that if inflation increases by 1,000,000 rupiah, then the UMP figure will decrease by \(0.032434\) (negative influence supports the hypothesis).

5. The variable \(I_{Hk}(X4)\) has a sign value of \(0.0003 < \alpha < 0.05\), so the decision \(H_0\) is rejected and \(H_a\) is accepted. The CPI variable has an impact on the UMP of \(0.006399\). This actually means that if the CPI rises by 1,000,000 rupiah, the UMP figure will decrease by \(0.006399\) (the negative effect supports the hypothesis).

**DISCUSSION**

**Influence of Gross Regional Domestic Product on Provincial Minimum Wages in SUMBAGSEL 2015-2022**

The results of the research above show that the gross regional domestic product variable has a significant impact on the provincial minimum wage in SUMBAGSEL in 2015-2022. This means that high to low gross regional domestic product has an influence on the provincial minimum wage in SUMBAGSEL in 2015-2022. Then, the gross regional domestic product regression coefficient is calculated. The impact of the Gross Regional Domestic Product variable on the minimum wage for SUMBAGSEL province states that the labor productivity of workers in SUMBAGSEL is very good, due to annual increases. If labor productivity increases, entrepreneurs' profits also increase. This is different from the study by Febrika Nurtyas (2016) which states that gross regional domestic product has a significant negative influence on the provincial minimum wage, this is because the study conducted by Febrika was carried out over a short period of time, namely only 5 years.

**The Influence of Per Capita Consumption on the Provincial Minimum Wage in SUMBAGSEL 2015-2022**

The results of the study state that the per capita consumption variable has no influence on the minimum wage in SUMBAGSEL province. So high to low per capita consumption has no influence on the provincial minimum wage. This is different from the study by Imam Wibowo (2022) which stated that per capita consumption had a significant positive influence on the minimum wage in Sumatra Island Province from 2015 to 2020.

**The Effect of Inflation on the Provincial Minimum Wage in SUMBAGSEL 2015-2022**

From the results of the study above, it can be seen that the T-probability of the partial inflation product variable is \(0.0433 < \alpha < 0.05\). \(H_0\) is rejected, so the inflation variable has a significant influence on the minimum wage in SUMBAGSEL province from 2015 to 2022. Which means high to low inflation has an influence in the minimum wage in SUMBAGSEL district from 2015 to 2022. Then we obtained an inflation regression coefficient of \(-0.032434\) which shows that inflation has a negative influence on the value of the minimum wage in SUMBAGSEL province.
from 2015 to 2022. This is the same as research conducted by Imam Wibowo (2022). Inflation has a significant negative impact on minimum wages in Sumatra Province from 2015 to 2020.

The Influence of the Consumer Price Index on the Provincial Minimum Wage in SUMBAGSEL 2015-2022

From the test results above, it is known that the T-prob value of the consumer price index variable is partially $0.0003 < 0.05$. Ho is rejected, so the Consumer Price Index variable has a significant influence on the SUMBAGSEL Province Minimum Wage from 2015 to 2022. This means that high to low Consumer Price Index influences the SUMBAGSEL Province minimum wage from 2015 to 2022. Then the Consumer Price Index regression coefficient is $-0.006399$ showing If consumer price index has a negative influence on the minimum wage for SUMBAGSEL province from 2015 to 2022. So this is the same as a study conducted by Bersales Research (2014) which shows that the Consumer Price Index variable has a significant influence on determining the minimum wage in the Philippines. However, research conducted by Febrika Nurtiyas (2016) revealed that the results of the Consumer Price Index were different, stating that the Consumer Price Index variable alone had no influence on the minimum wage in the province of Java Island.

CONCLUSION

From the results of research analysis of factors that influence the Provincial Minimum Wage in SUMBAGSEL from 2015 to 2022, Gross Regional Domestic Product has a significant positive influence on the Provincial Minimum Wage in SUMBAGSEL from 2015 to 2022 with a probability value of $0.0000$, Per Capita Consumption has no influence on Provincial Minimum Wage in SUMBAGSEL from 2015 to 2022, Inflation has a significant negative influence on the provincial minimum wage in SUMBAGSEL from 2015 to 2022 with a prob value of $0.0433$, and the Consumer Price Index has a significant negative influence on the provincial minimum wage in SUMBAGSEL from 2015 to 2022 with prob value is $0.0003$.

Suggestion

Based on the research conducted, there are only three independent variables that have an influence on the dependent variable. So, for other researchers who are interested in researching this topic, it is hoped that they can add other variables that also have an influence on the provincial minimum wage, such as: economic growth, Regional Original Income, etc. so that this research can be more complete and perfect.

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