

MINIMUM WAGE IMPLICATIONS AND POVERTY NUMBERS EAST JAVA PROVINCE

Novi Primita Sari

Department Economic Development, Faculty Economic and Business,
University of Muhammadiyah Malang
Email : noviprimita@umm.ac.id

Abstract

An area is said to be advanced if the number of people living below the poverty line is getting smaller. But the problem of poverty is not an easy matter to solve, many factors that lead to faster growth every year. This study aims to analyze the implications of GDRP, the determination of regional minimum wages (UMR) and unemployment rates for the number of poor people in East Java Province. The method used in this study is a regression analysis with panel data covering, Regency and City GDRP data throughout the East Java Province, 2015 to 2016 UMR and unemployment in all Regency and City regions in East Java Province in the same two-year period . The results of the analysis of this study can be concluded that in the last two years the GDRP variables did not have an influence on poverty, but two variables, namely unemployment and regional minimum wages had an influence on the poverty rate in East Java Province. With the R square value obtained is 0.999483 which means that the model in this study is able to explain the phenomenon of 99.98 percent.

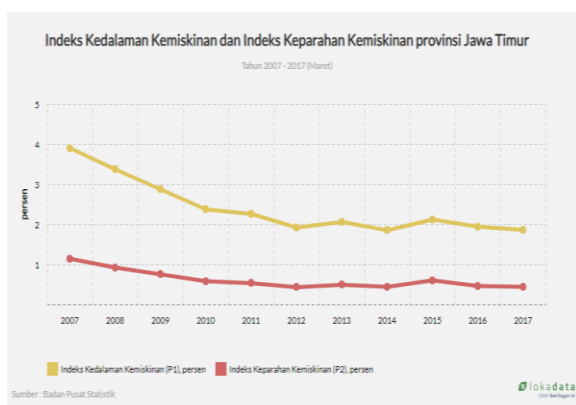
Keywords: poverty, GDRP, unemployment, UMR

INTRODUCTION

Indonesia has now entered the era of demographic bonus which is expected to end in 2036. The existence of this era is where there are many residents who enter productive age. One of the main keys that has an important role in the development process is qualified and skilled human resources (HR). The development of a the poverty line is a separate task for each head of state and regional head. A policy and development is said to be successful if the community can live in prosperity. Prosperous life which is intended to have to enter the work environment.

country is reflected in the low unemployment, poverty and increasing numbers of population welfare. The toughest challenges faced in almost all countries, even developed countries, developing countries or even poor countries are the number of poor people. The number of people or residents who still live below many indicators, one of which is the ease of the community in gaining access to employment, the higher unemployment rate, the more difficult it is for the community

Picture 1



Source: Central Statistics Agency (BPS), 2017

The difficulty of people entering the workforce has resulted in increasing unemployment rates, if the unemployment rate increases, productivity will also decrease, resulting in increased poverty rates.

According to (M. Kuncoro in reggi, 2014) explained that the measure of poverty is based on consumption which is then divided into two important elements, namely, (1) expenditures needed to buy minimum nutritional standards and other basic needs; (2) the number of other needs as a complement that varies in type and reflects the costs of participation in people's lives.

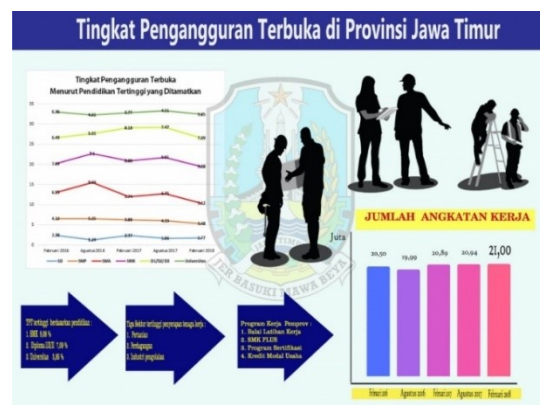
Apart from the difficulty of the community entering the workforce caused by the number of workers who have varied abilities and result in rising unemployment, there are other factors, namely rendahnya upah minimum regional yang diberikan kepada pegawai oleh pemilik usaha. Tinggi

rendahnya pendapatan rumah tangga juga will affect the level of community welfare. In East Java Province, the unemployment rate is still quite high despite a decline, the highest contributor to unemployment in East Java is a graduate of the population. The difficulty of these scholars in obtaining employment is due to the many graduates who have theoretical abilities but are not supported by soft skills.

The ability of graduates who are not supported by the ability of the application results in companies not wanting to accept because according to speculation the company will have an impact on increasing costs or costs that must be incurred to provide training for prospective employees so that they prefer vocational graduate students who master the practice more field work.

Picture 2

Amount of Unemployment Rate of Regency / City of East Java Province 2016 - 2017



Source: Jatimprov.go.id (2019)

According to East Java Governor Regulation No. 68 of 2015, in an effort to

improve the welfare of the community, especially the people who act as workers, there is a need for an effort to increase the participation of workers in the production process, so that the government has set the minimum and city minimum wage formula in Article 44 Paragraph (2) Government Regulation Number 78 of 2015. (Disnakertrans, East Java Province, 2017).

There are a lot of factors that influence the increase in the poverty rate in East Java Province, one of which is the number of unemployment and the determination of minimum wages by the local government through local regulations. Many research results explain that minimum wages have a negative influence on poverty in East Java Province. The labor force participation rate (TPAK) of East Java province in 2018 was 69616.40 thousand with an open unemployment rate (TPT) of 193.75 thousand. In this study there are three main variables that determine the influence of poverty rates in East Java Province, including regional minimum wages, open unemployment and inflation. These three variables become indispensable determinants.

The regional minimum wage (UMR) can be interpreted, namely the minimum wage that applies to all regions, both District and City, but still has a limitation of determination (each region throughout

Indonesia) has its own determination of the minimum wage. The legal basis for determining the minimum wage in East Java Province is in the East Java Governor Regulation Number 68 of 2015.

Unemployment is a very heavy problem besides poverty faced by many countries in the world including Indonesia. When the number of unemployment in a region can be interpreted that there is also a decline in the standard of living of the people. According to Nangga, 2001 "unemployment is defined as a situation where a person who is a labor force does not have a job or they are looking for work", this means that even if someone enters a working age and is very active looking for work but has not found a job then they are also called unemployment.

Based on the description in the introduction which is the background of the research, the researcher is interested in conducting research with the title "Minimum Wage Implications and Poverty Rate of East Java Province". This also proves whether there are other variables that influence the number of poverty in East Java Province at this time.

RESEARCH METHODOLOGY

The type of this research is descriptive analysis research using quantitative data data to explain an object

of problems in the study. This study examines the determination of regional minimum wages and unemployment rates for the number of poverty in East Java Province. The approach method in this study is used to obtain comprehensive data analysis, can be described as well as analytical so that for the purposes of this study documentation methods of data collection are used. This research was conducted in East Java Province by using population data throughout the District and City. According to Sumarni (Economics, Study, Economics, Business, & Diponegoro, 2014).

The population is a region of generalization consisting of objects or subjects which certainly has qualities and characteristics set by the researcher and conclusions will be made in the end. The study in this study is covering the Regional Minimum Wage, the Unemployment Rate used to find out how much influence these two variables have on the poverty rate in East Java Province in 2016. The data used in this study are entirely sourced from the results of the Central Bureau of Statistics (BPS) report East Java Province ("Javanese-East-in-numbers-2016," nd). The data used is time series data, namely the last 2 years, namely the period 2015 to 2016.

The method or tool for analyzing data in this study uses linear regression analysis using Eviews 10. In analyzing the variables that influence the poverty rate in East Java Province, the model is used:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu_1 \dots\dots (1)$$

Where :

Y: Poverty

X1: GDRP

X2: Unemployment

X3: UMR

β_0 : Constants

β_1 : Coefficient of GDRP

β_2 : Unemployment coefficient

β_3 : Minimum Wage Coefficient

μ_1 : Disturbing factor

To find out how much the degree of poverty is sensitive to the factors that influence poverty, the concept of elasticity is used. Where the magnitude of this elasticity value can be known through the magnitude of the regression coefficient of the estimated variables (Sudirman & Andriani, 2017).

In regression calculation techniques using panel data there are three calculation techniques, namely OLS (Ordinary Least Square) technique, Fixed Effect and Random Effect. In this study also tested the hypothesis by looking hasil uji t, yaitu uji t used to see how far the influence of individual independent variables on the dependent variable

RESULTS AND DISCUSSION

Table 1. Results of Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	142.0181	4.953568	28.66985	0.0000
X1	-2.30E-05	8.92E-05	-0.257893	0.7980
X2	2.896517	1.060584	2.731058	0.0098
X3	-1.04E-05	4.01E-05	-2.578662	0.0143

From the results of data processing using Program Eviews 10, it can be seen that there are implications between setting minimum wages and unemployment on the increase in poverty in East Java Province in the last two years, between 2015 and 2016, but there is no implication or linkage between GDRP and poverty rates in the Province in the two periods of the year.

Based on the results of the determination test of multiple linear regression analysis, it can be seen that the determination value of the equation is 0.999483 or 99.9483 percent. This can be interpreted that the whole independent variable is GDP, Open Unemployment and Wages The Regional Minimum together is able to explain that the dependent variable is poverty of 99.9483 percent and the other is 0.0517 percent explained by other variables outside the model that have been estimated and analyzed.

Based on the results of the analysis it can be seen and explained that the GDRP variable does not have a significant effect on the increase in poverty in East Java in the past two years and this is indicated by a negative coefficient of -23000005 with a probability value of 0.7980, which means that even though the GDRP has increased or decreased will not have an influence on the poverty rate in the last 2 years in East Java Province.

While the results of the analysis of unemployment variables can be seen that the open unemployment variable has a significant positive effect with a coefficient of 2.896517 and a probability value of 0.0098. from the results of this analysis it can be explained that if the unemployment rate increases by one unit then the poverty rate will also increase by 2.896517 percent, but if the unemployment rate decreases by one unit then the poverty rate will also decreased by 2.896517 percent in the last two years, namely in 2015-2016 in East Java Province.

Based on the results of the analysis it can also be explained that the wage variable minimum has a significant negative effect, namely with a coefficient of -1.04000005 with a probability value of 0.0143. this shows that if the regional minimum wage increases by one unit then the poverty rate will decrease by -

1.04000005 percent in East Java Province in 2015 - 2016. The results of this analysis are also in accordance with the economic theory put forward by Kaufman "where the higher the minimum wage level hence there will be an increase in income so that the community has a high purchasing power and increasing welfare numbers and the implication is that the poverty rate will decrease (Pambudi, Saleh, & Priyono, 2016).

CONCLUSIONS

1. From the results of the data analysis that has been done, it can be concluded that the results of this study are:
2. GDRP has no positive or negative influence on the poverty rate of East Java Province in two periods, namely between 2015 - 2016.
3. The unemployment rate has a positive and significant influence on the poverty rate in East Java Province.
because it is expected that there will be an increase in the welfare and quality of life of the people and besides the minimum wage setting limits. which must be accepted with the workload borne so that transparency and justice emerge.
3. The East Java Provincial Government is also expected to be able to provide space for the poor, educated and educated people who do not have jobs. It is hoped

4. Regional minimum wages (UMR) have a significant negative effect on the poverty rate in East Java Province.

REKOMENDATIONS

1. The government, especially East Java Province, is expected to immediately reform and develop infrastructure evenly throughout the region to facilitate access to the distribution of goods so that economic activities can run more smoothly and easily. If the distribution and economic activities run smoothly and easily, the regional income will also increase and eventually it is expected to be one way to reduce and even eliminate poverty in East Java Province.
2. Regional minimum wages set by the Regional Government, especially East Java Province, are expected to be truly implemented and given to workers
that the government will build as many relationships as possible with the stakeholders and provide training that can provide additional insight into knowledge and skills for community so that the community can be more productive so as to reduce the number of unemployment and consequently the poverty rate will decline.

REFERENCES

- Disnakertrans Provinsi Jawa Timur. (2017). Pergub No. 121 tahun 2016 tentang UMK tahun 2017 Jawa Timur. Retrieved from <https://disnakertrans.jatimprov.go.id/wp-content/uploads/2016/12/Pergub-No-121-Tahun-2016-tentang-UMK-2017.pdf>.
- Ekonomi, I., Studi, D. A. N., Ekonomika, F., Bisnis, D. A. N., & Diponegoro, U. (2014). Tingkat Kemiskinan Provinsi- Provinsi.
- Arsyad, Lincolin. 2006. *Ekonomi Daerah: Pengantar Perencanaan Pembangunan*. Edisi Kedua. Yogyakarta: BPFE.
- Jawa-timur-dalam-angka-2016. (n.d.).
- Kaufman, Bruce E dan Julie L. Hotckiss, 1999. *The Economic of Labor Markets*. Yogyakarta: BPFE UGM
- Nanga, Muana. 2001. *Makro Ekonomi: Teori Masalah dan Kebijakan*. Jakarta: PT Raja Grafindo Persada.
- Pambudi, R. I., Saleh, M., & Priyono, T. H. (2016). Analisis Pengaruh Pertumbuhan Ekonomi, Upah Minimum Regional, dan Pengangguran Terhadap Kemiskinan di Provinsi Jawa Timur. *Artikel Ilmiah Mahasiswa*, (1).
- Sudirman, & Andriani, L. (2017). Pengaruh Upah Minimum Dan Inflasi Terhadap Jumlah Penduduk Miskin Di Provinsi Jambi. *Journal of Economics and Business*, 1(1), 148–159.
- Wahyuningsih, Y. E. (2014). Analisis Pengaruh Produk Domestik Regional Bruto Dan Kabupaten Nagan Raya, 1, 39–47.