



District Minimum Wages, Relocation of Unemployed Companies and Its Impact on Poverty

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Abstract. Determining district minimum wages often becomes a problem every year even though there are clear regulations. The district minimum wage always becomes a dilemma if it is determined that the increase is too large and too small even if there is no increase. High and low wages will affect the supply and demand for labor which will ultimately impact the relocation of companies and the number of unemployed and even impact poverty. The aim of this research is to examine and analyze the district minimum wage, company relocation and unemployment and their impact on poverty. The research method uses quantitative methods with descriptive statistical analysis tools and multiple linear regression analysis of panel data with SPSS. Research data uses secondary data from agencies and combines data from interviews and field observations at companies, associations or institutions that issue official and valid data. Based on the results of this research, it shows that the district minimum wage, company relocation and unemployment do not have a significant influence on poverty, but have a very strong relationship with poverty.

Keywords: District Minimum Wage, Company Relocation, Unemployment, Poverty.

1 Background

Indonesia's economic development strategy focuses on achieving high economic growth while tackling poverty, unemployment, inflation, and balance of payments issues. It also aims to create more employment opportunities. The government implements various policies to achieve these goals, including monetary and fiscal policies. Economic growth is a key indicator of a region's success and people's well-being. According to Prasetyo (2009), a region with good economic growth experiences not only high growth rates but also low inflation and unemployment. Indonesia's economic development goals align with macroeconomic goals, which aim to achieve economic stability with full employment, low inflation, low unemployment, and high-quality economic growth. However, developing countries like Indonesia face unique challenges. These challenges stem from a combination of factors, including rapid urbanization, stagnant agricultural productivity, and rising unemployment and underemployment in both urban and rural areas (Kuncoro, 1997).

Indonesia is a developing country that has challenges and obstacles in economic development. The problems experienced by Indonesia are the same as those described above, namely poverty, low capital, unemployment, low quality of human resources. This problem must be addressed because it will have an impact on the country's economy, apart from that, security and politics must also be stable. Efforts to overcome this problem can be done by seeking to increase economic growth. An increase in economic growth will certainly bring an increase in national income and also an increase in employment opportunities. An increase in employment opportunities means an increase in labor absorption which will have an effect on reducing unemployment. Indonesia has economic growth that continues to increase every year, but the number of open unemployment remains high. This high number of open unemployment must be resolved or overcome because open unemployment that is too high will have a negative impact.

The impact will not only impact individuals, but will also impact society and the government. The impact on the individual himself is that society/individuals cannot maximize their welfare, loss of livelihood and income, reduction of their skills. For society and the economy, open unemployment can cause the economy to become unstable, hamper economic growth, reduce social welfare and also cause socio-economic and political instability and will increase the number of poverty rates.

Basically, open unemployment itself is influenced by several factors such as government spending which was explained by Keynes that in a free-market system full employment is not always created and requires efforts and policies to create a level of full employment and economic growth.

Based on this description, Keynes viewed that the economy always faces unemployment and that active intervention in the economy will help overcome the problem of unemployment. As with government spending, Todaro believes that labor force growth also influences open unemployment. The growth of the workforce in big cities in developing countries will cause unemployment problems.

Wages will also have an impact on the level of employment opportunities and unemployment, the implementation of minimum wages in each district will actually reduce the level of demand for labor which will ultimately increase the number of unemployed. The implementation of a minimum wage will affect the demand and supply of labor, the supply of labor will increase while the demand for labor itself will decrease which will ultimately cause unemployment. The implementation of minimum wages, especially for countries with large populations such as Indonesia, will result in increased unemployment. Open unemployment occurs in the young generation who have just completed their education trying to find work according to their wishes. Their desire is to work in the modern sector or in 8 offices and with fairly high wages. To get this opportunity they are willing to wait a long time. This is what causes the tendency for high unemployment rates (Siregar, 1982: 25).

Apart from that, the implementation of minimum wage policies and labor laws is felt to be burdensome for entrepreneurs, in the end many companies use contract labor/workers (outsourcing) and this is what adds to the series of employment and unemployment problems. Economic growth and inflation also affect employment opportunities which will indirectly affect the unemployment rate. The relationship between the growth model and employment opportunities states that by maximizing GDP growth,

Third World countries will be able to maximize the absorption of existing labor. With the absorption of labor, it will certainly reduce the unemployment rate (Todaro, 2000 :26).

Okun's Law also indicates that there is a negative relationship between economic growth (GDP) and the unemployment rate, this means that economic growth and the unemployment rate have a negative relationship. If there is an increase in economic growth, it will indirectly increase employment which means it will increase job opportunities for the community, the existence of job opportunities will increase labor absorption and of course will have an impact on reducing unemployment. Open unemployment often occurs in urban areas that have developing industries, thus encouraging urbanization from villages to cities by people, they hope to get more decent work regardless of the level of education and skills they have.

Apart from economic growth and MSEs, inflation also influences open unemployment. The relationship between inflation and open unemployment was explained by A.W Philips who showed the negative influence between inflation and unemployment. Philips explained that an increase in aggregate demand will encourage an increase in prices which will ultimately encourage producers to increase production of goods and services. Humans (labor) are considered the only factor of production, so rising prices (inflation) will ultimately cause unemployment to decrease. From the several factors above, in previous studies there were differences in the results of the analysis, so in this study only three variables were taken, namely Regency Minimum Wage (UMK), economic growth and inflation.

Based on the background, this research will examine the district minimum wage and its impact on company relocation, unemployment and poverty.

2 Theoretical Review

Establishing a minimum wage plays a role in increasing the wages of workers who still earn below the minimum wage. The ideal minimum wage will be able to meet the expectations of workers, employers and job seekers. Minimum wage policies not only impact the wages of workers with wage levels around the minimum wage, but also impact the entire distribution of wages, prices, business climate and labor absorption. Determination of the minimum wage still faces obstacles, including the ad hoc and uncertain mechanism, making the minimum wage difficult to predict and calculate. The current minimum wage determination also only pays attention to Decent Living Needs (KHL) and does not pay attention to other factors such as economic growth, productivity and marginal business. The government needs to be careful in raising the minimum wage to avoid a number of problems in the form of high levels of non-compliance and hampering employment expansion. The ideal minimum wage will be able to meet the expectations of workers, employers and job seekers.

Wages and unemployment are quite closely related, where high and low wages will influence the supply and demand for labor which will ultimately have an impact on the number of unemployed. Wages are payments for physical and mental services provided by workers to employers. Money wages are the amount of money workers receive from

employers as payment for the mental and physical energy used in the production process (Sukirno, 2000). The wage system contains three principles, namely 1. Providing compensation for the value of work 2. Providing incentives 15 3. Guaranteeing workers' needs. Wages have quite a big influence on the demand and supply of labor, changes in wages will affect the size of the supply of labor, in accordance with the law of supply that a high wage level will cause an increase in the amount of labor supplied, this means the amount of labor demanded will decrease and vice versa if the wage level is relatively low then the amount of labor offered will be less. The labor supply curve has a positive slope. Demand and supply of labor occurs in the labor market. Source: Suparmoko (1998).

The Regency minimum wage is a wage policy implemented by the government to ensure the welfare of laborers and workers. This policy is felt to be very beneficial for laborers and employees because the district's minimum wage continues to increase following the minimum living needs (KHM) level so that indirectly with the implementation of the UMK, the welfare of workers and employees will be guaranteed. However, this is not the case for entrepreneurs, for entrepreneurs who are able or ready to face the implementation of the MSE, they will accept it happily and always increase production and quality so that there is no increase in production costs, but for producers or entrepreneurs who are not ready Whether they want it or not, they still have to apply a minimum wage system to their workers. As a result, implementing this minimum wage will only increase production costs for entrepreneurs, which in the end will result in a reduction in their workforce, which of course will lead to unemployment. Minimum Wage Policy Source: Suparmoko (1998)

The implementation of the Regency's minimum wage will reduce the level of demand for labor and will increase the supply of labor, which of course will cause an increase in the number of unemployed. So, it can be concluded that there is a positive relationship between MSEs and open unemployment. Wages are reciprocity or reward for what we do. According to Law no. 13 of 2003 concerning employment, wages are a receipt as compensation from an entrepreneur to a laborer/employee for a job/service that has been/performed, expressed or valued in the form of money determined according to an agreement/legislative regulation. Wages are paid on the basis of a work agreement between the entrepreneur and the laborer/employee. The implementation of minimum wages is intended to encourage increased worker/labor productivity and also increase production growth and increase income. The government views wages as increasing people's welfare, where if the wage is set higher, it will further improve people's welfare which will have an impact on regional income. Setting the minimum wage is intended to prevent wages from decreasing, especially for lower-level workers, or in other words, so that the wage level remains stable. For producers and entrepreneurs, setting minimum wages will actually increase production costs, where entrepreneurs must comply with applicable regulations. This is what encourages entrepreneurs to be more careful in hiring workers, which can lead to unemployment because many workers are inexperienced and lack skills. will not be needed.

Okun's Law explains the link between economic growth and unemployment. This theory suggests that economic growth (measured by Gross Domestic Product or GDP)

is inversely related to unemployment. In simpler terms, as GDP increases, unemployment tends to decrease (Case & Fair, 2006). The logic behind this is that economic growth creates a demand for labor, leading to lower unemployment. Conversely, a decline in GDP signifies a decrease in production output. When companies need to cut production, they often reduce their workforce, resulting in fewer employment opportunities and higher unemployment (Dornbusch, 2004).

However, minimum wage increases can introduce complexities. In Karawang Regency, for example, annual minimum wage hikes have been linked to issues like company closures or relocations due to challenges in meeting the higher wage requirements (Motip et al., 2020). Research by Pamungkas (2017) suggests a two-sided effect of minimum wage increases. On the positive side, they can lead to higher average wages for workers, potentially reducing poverty as overall worker income increases. However, the same study also found that minimum wage increases can contribute to higher unemployment rates. This rise in unemployment can counteract the poverty reduction benefits of higher wages.

According to Hardianti et al. (2023), that the influence and relationship between the minimum wage on unemployment in Mamuju Regency and the t test results show that the minimum wage has a significant effect on unemployment in the Regency Mamuju. The results of the correlation coefficient analysis show that the minimum wage has a very strong relationship with unemployment in Mamuju Regency. So, it can be concluded that the minimum wage has a significant influence on unemployment. The minimum wage is strongly correlated with unemployment.

Company relocation is defined as "moving places, changing locations". So relocation is moving something (separation) from one place or location to another place or location. In the business world, there are terms known as merger, consolidation and business takeover.

3 Research Methodology

Research is basically a scientific way to obtain data with certain purposes and uses. (Sugiyono, 2008: 2). Research aims to develop, prove, discover and examine the truth of knowledge. The steps in research must be carried out systematically to be able to solve the problem being studied. This is intended so that research can be scientifically accountable. The object of this research was carried out in Karawang Regency.

Type and source of the data used in this research is panel data, panel data is a combination of time series data and cross section data, the data used is data from 2018 to 2022. In this research uses secondary data, namely data sourced from third parties, the data used is taken from the Central Statistics Agency and related agencies.

Research variables are basically anything in any form that is determined by the researcher to be studied so that information about it is obtained, then conclusions are drawn (Sugiyono, 2008: 38). In this research there are two variables, namely the independent variable and the dependent variable (dependent variable). This research has three independent variables (X) and one dependent variable (Y). Independent variables

(independent variables) are variables that influence or are the cause of changes or emergence of the dependent (dependent) variable (Fig. 1) (Sugiyono, 2008: 39). The independent variable in this research is the district minimum wage (X1), which has the indicators District minimum wage, company relocation (X2), unemployment (X3).

Dependent variable (Y) The dependent variable is a variable that is influenced or becomes a consequence because of the existence of the independent variable (Sugiyono, 2008: 39). The dependent variable in this research is poverty (Y).

Operational definition Regency minimum wage is the lowest monthly wage consisting of the basic wage including fixed allowances determined based on the KHM determined by the Governor every year. Company relocation is the moving of a company to another area including closing the company. Unemployed are people who are actually able to work and are looking for work, but they cannot find employment. Poverty is a condition where people's living needs have not been met.

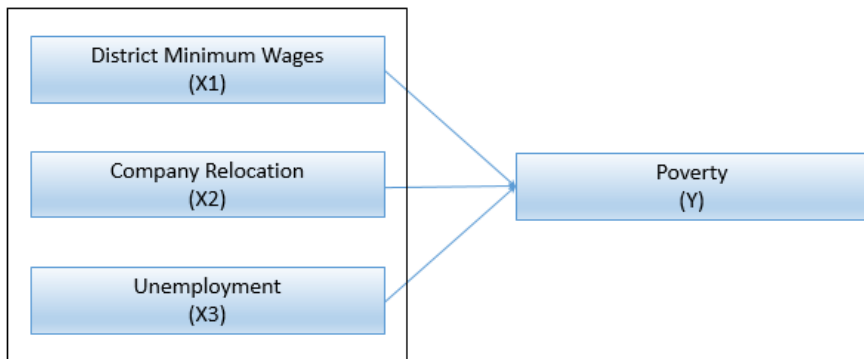


Fig. 1. Research Model

This research uses quantitative research with primary data, secondary data and interview. Primary data and secondary data and interview is data obtained from books (libraries) or other parties that are closely related to the object and objectives of the research (Tika, 2006: 64). The data collection method used in this research is the documentation method. In carrying out the documentation method, namely by using books from the document of RPJMD, the Badan Pusat Statistik as in several editions, using regulations regarding wage policies, company relocation, unemployment and poverty. This method is used to obtain data on UMK, company relocation, unemployment and poverty. The type of data used in this research is primary data and secondary data obtained from a third party, namely Badan Pusat Statistik. The type of data used is Panel data, which is combined data between cross section data and time series data. The data taken is data from the District UMK for the period 2018-2022.

4 Method Analysis

The method used to determine the influence of MSEs, company relocation, unemployment and poverty is panel data analysis and regression analysis, where panel data analysis is a combination of time series data and cross section data in this research using panel data analysis. Panel is data obtained from survey results from several places at the same time.

This research uses panel data analysis because the results obtained are better and also display the results not only as a whole.

The panel data analysis equation used is

$$Y_i = \beta_0 + \beta_1 X_i + e_i ; i = 1, 2, \dots, N$$

where N is the number of cross section data.

Meanwhile, the time series equation can be written as:

$$Y_t = \beta_0 + \beta_1 X_t + e_t ; t = 1, 2, \dots, N$$

Where N is the number of time series. Panel data is combined data between time series and cross sections, so the equation model is as follows

$$Y_{it} = \beta_0 + \beta_1 X_{it} + \beta_2 X_{it} + \beta_3 X_{it} + e_{it}$$

Y: Poverty

b: Constant number

b1: MSE regression coefficient

X1: District minimum wage

X2: Company relocation

X3: Unemployment

t: shows the time; i: shows the object; e: residue

5 Results and Discussion

An overview of the descriptive results of the research can be presented as follows in Table 1.

Table 1. Descriptive Research Statistics

		Statistics				
	Year	UMK (X)	Company Relocation (Y1)	Unemployment (Y2)	Poverty (Y3)	
N	Valid	5	5	5	5	
	Missing	0	0	0	0	
Mean		4468850	7.6000	118691.80	193560.0000	
Median		4594324	2.0000	118011.00	195400.0000	
Mode		4798312	.00 ^a	102000.00 ^a	173700.00 ^a	
Minimum		3919291	.00	102000.00	173700.00	
Maximum		4798312	32.00	137412.00	210800.00	
Sum		2E+007	38.00	593459.00	967800.00	

Source: SPSS data processing results, 2023

The partial effect of Regency Minimum Wage on company relocation, unemployment on poverty is shown in the Table 2.

Table 2. Research Coefficient

Model	Coefficients ^a						Collinearity Statistic	
	Unstandardized coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF	
	B	Std. Error	Beta					
1 (Constant)	-45676.6	54288.348		-.841	.555			
UMK	.046	.016	1.275	2.836	.216	.143	7.001	
Company relocation	957.579	310.886	.947	3.080	.200	.305	3.274	
Unemployment	.225	.257	.273	.873	.543	.294	3.396	

^a. Dependent Variable: Poverty

Source: SPSS data processing results, 2023

Referring to the simple linear regression analysis table, the equation $Y = -45676.6 + 0.046 + 957.579 + 0.225 + e$.

The results of the liner regression equation are interpreted as follows:

1. The value of -45676.6 is a constant value or the condition when the dependent variable, namely poverty, has not been influenced by the independent variables, namely minimum income, company relocation and unemployment. If the UMK, company relocation and unemployment variables do not change, the value of the poverty variable is -45676.6.
2. The bx value of the UMK variable is 0.046, the company relocation variable is 957.759 and the unemployment variable is 0.225, indicating that the UMK variable, company relocation and unemployment have a positive influence on poverty, where every one unit increase in UMK, company relocation and unemployment will affect poverty by 0.046 UMK, 957,759 company relocations and 0.225 unemployment, assuming that other variables were not examined in this research.
3. Referring to the table above, it is found that the calculated t value for the district minimum wage is 2.836, greater than the t table for the district minimum wage of 0.216. The results of this analysis can be interpreted to mean that the district minimum wage influences poverty. Furthermore, in the table above it is found that the calculated t value for company relocation is 3.080 which is greater than the t table for company relocation which is 0.200. The results of this analysis can be interpreted to mean that company relocation has an effect on poverty. Furthermore, from the above it was found that the calculated t value for unemployment was 0.873 which was greater than the t table of 0.543. The results of this analysis can be interpreted to mean that unemployment has an effect on poverty.

Next, the T test was carried out to see the extent of the influence of each independent variable on the dependent variable. This test is carried out by comparing the calculated t value with the t table value. To find out the calculated t value by looking at the results of the regression analysis of the coefficient table, the t table value is by looking at the area of validity or the degree of freedom table.

Table 3. Research Variable V Coefficient

Model	Coefficients ^a					Collinearity Statistic	
	Unstandardized coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
	B	Std. Error	Beta				
1 (Constant)	-45676.6	54288.348		-.841	.555		
UMK	.046	.016	1.275	2.836	.216	.143	7.001
Company Relocation	957.579	310.886	.947	3.080	.200	.305	3.274
Unemployment	.225	.257	.273	.873	.543	.294	3.396

^a Dependent Variable: Poverty

Source: SPSS data processing results, 2023

Referring to the Table 3 above, it is found that the t-calculated value for UMK is 2.835, company relocation is 3.080 and unemployment is 0.873. The significance value for MSMEs is 0.216, company relocation is 0.200 and unemployment is 0.543, which is greater than 0.05 which is interpreted as not significant. The results of this analysis are interpreted to mean that the district minimum wage, company relocation and unemployment have no effect on poverty.

5.1 Simultaneous effect of Regency Minimum Wage on company relocation, unemployment on poverty.

Next, a correlation coefficient analysis is used to see how strong the relationship is between the district minimum wage variable, company relocation and unemployment and poverty, provided that if the coefficient interval (r) is close to 1, the minimum wage variable has a very strong relationship with poverty. This is explained in the following Table 4:

Table 4. Results of correlation coefficient analysis

Model	Model Summary ^b							Durbin-Watson
	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			
					R Square Change	F Change	Sig. F Change	
1	.985 ^a	.971	.885	4702.73473	.971	11.214	.215	3.446

^a Predictors: (Constant), Unemployment, Company Relocation, UMK

^b Dependent Variable: Poverty

Source: SPSS data processing results, 2023

Referring to the Table 4 above, the correlation coefficient value is 0.985 and is in the very strong category, which means that the district minimum wage, company relocation, unemployment and poverty variables have a very strong relationship.

5.2 Regency Minimum Wage Conditions, Company Relocation, Unemployment and Poverty

The district minimum wage which is determined every year by means of a Governor's Decree is determined using the provisions of applicable laws and regulations. Determination of the district's minimum wage is based on the value of economic growth and

the rate of inflation each year. So, the district minimum wage value is calculated based on clear and measurable indicators taking into account the workers' decent living needs. Determination of the district minimum wage value is also discussed through the district wage council (Depekab) which consists of elements from academics, government, trade unions and entrepreneurs. So that the determination of the district's minimum wage value is appropriate and fulfills a sense of justice for employers and job recipients.

The increase in the minimum wage, especially in Karawang Regency, every year causes problems, including a reduction in workers/laborers and companies closing or moving out of the area because they are unable to pay the minimum wage in Karawang Regency. Siska Widiyanti Motip, Hanny Purnamasari, Ani Nurdiani Azijah (2020)

Company relocation that occurs is that the company moves location to another location outside the district. This company relocation is considered to increase the company's efficiency in terms of labor costs by seeking a lower district minimum wage in the location where the company is moving. This company relocation is the company's last alternative to increase productivity and competitiveness by saving labor costs, even though in terms of initial investment it definitely requires large investment costs. Moreover, if the company moves location, the company must take care of the necessary permits and administration from the start.

Unemployment is the condition of workers who are in the workforce but do not get suitable work. Unemployment is a factor inhibiting development for districts/cities nationally. Therefore, government efforts are needed to eradicate unemployment in real terms with programs that support the workforce, including providing stimulants to companies to help overcome unemployment. The transition from the agricultural sector to the industrial sector also plays a role in contributing to unemployment. People from the agricultural sector who have switched to the industrial sector are not yet ready because on average they prefer to work in the industrial sector because it is considered more promising in terms of income and livelihood.

5.3 The Effect of Partial Regency Minimum Wages on company relocation, unemployment and poverty.

Unemployment in this study uses the open unemployment rate, meaning it uses the ratio between the total labor force and the employed labor force, this shows how much the labor market is able to absorb the existing labor force. If the open unemployment rate is low then this is a good thing because so much of the available workforce is able to enter and be absorbed by the labor market. The ever-increasing workforce holds various economic potentials, because a large workforce will make the availability of labor abundant. The availability of this workforce will be able to encourage the economy to move faster by creating goods and services more quickly. Companies also do not need to be afraid of shortages in their production factors because of the availability of this workforce. A large labor force is like a double-edged sword, on the one hand they hold great potential for economic interests through the creation of goods and services, but on the other hand when the labor force does not have enough skills it will actually result in quite chronic unemployment, due to the available labor force not needed by the market.

Looking at the existing data shows how the quality of the workforce in Indonesia is quite worrying, more than 60% of our workforce falls into the uneducated workforce category. So, this is quite worrying because the number of our workforce continues to increase every year but their quality does not improve. The availability of a large workforce means companies can freely carry out their economic activities. So, they can determine wages according to their wishes. Companies will pay employees according to their productivity according to open competitive market theory. However, in practice only a few companies are able to control the price of their labor. Especially in countries where the population is large and the workforce is abundant, such as in Indonesia. Companies that have the ability to determine the price of their labor force the labor market to no longer be perfectly competitive, but has turned into a monopsony market. When companies have the ability to influence the price of labor, that is where they will reduce the price of labor, especially since the amount of labor available is abundant. Therefore, the government promotes minimum wage policies to protect workers from inadequate wages

The minimum wage policy is intended to improve worker welfare. However, this policy is also not a perfect policy because several studies show that the minimum wage policy will cause the unemployment rate to increase and this will reduce the level of welfare in general. This research shows empirical evidence of the implementation of the minimum wage policy on workers. The analysis described previously shows the influence of the district minimum wage on company relocation, unemployment and poverty. The minimum wage will initially affect the average worker's wages. This is because with an increase in the minimum wage, the average worker's wage will increase.

5.4 Simultaneous Effect of Regency Minimum Wages on company relocation, unemployment and poverty

According to Hardianti, Herman, Syarifuddin, Faculty of Economics and Business, Mamuju Muhammadiyah University, *Seiko Journal* Vol 6 issue 2 2023, that the influence and relationship between the minimum wage on unemployment in Mamuju Regency and the results of the t test show that the minimum wage has a significant effect on unemployment in Mamuju Regency. The results of the correlation coefficient analysis show that the minimum wage has a very strong relationship with unemployment in Mamuju Regency. So, it can be concluded that the minimum wage has a significant influence on unemployment. The minimum wage is strongly correlated with unemployment.

According to the results of Padel Aji Pamungkas' research in the *Scientific Journal of FEB Universitas Brawijaya* (Vol 5 No. 2 of 2017) that an increase in the minimum wage positively influences the average wage of workers, through the average wage of minimum wage workers influencing the unemployment rate with the minimum wage as it increases, the unemployment rate also increases. The minimum wage also has an impact on the poverty level by increasing the average wage, where the poverty level

also decreases as the average worker's wage increases, but the increase in unemployment as a result of the increase in the minimum wage also has an influence on increasing the poverty level.

The minimum wage policy affects the average wages of workers, because when the minimum wage is set, the company increases the salaries of its employees, not only wages for new employees who will enter the company but also wages for employees who have been with the company for a long time. This is shown between the minimum wage and the average worker's wage, where the results show a positive relationship indicating a unidirectional relationship between the minimum wage, if the minimum wage increases then the average wage will also increase.

The increase in the district minimum wage means that labor costs also increase, this makes companies burdened with the employee wage component. The company considers that the wages given are getting bigger and bigger, especially considering the quality of the workforce, who on average have secondary to lower education. So, the company reduced the recruitment of new workers and began laying off employees who were already working. Especially when economic conditions are not good, at which time the rupiah exchange rate against the dollar experiences a weakening, resulting in an increase in raw material costs which means companies have to reduce their expenses by reducing the number of workers.

The increase in the number of workers being laid off, this number is one of the impacts of the increase in the minimum wage, apart from that it cannot be denied that economic conditions also contributed a lot to the occurrence of layoffs, the combination of weakening economic conditions and the high value of the minimum wage made companies make adjustments. costs by laying off the workers they have.

The effect of the district minimum wage indirectly affects the unemployment variable. This shows that when the minimum wage increases, the number of open unemployed also increases. The influence of the wage variable on unemployment is not that big because there are other explanatory variables that can explain the variable level of open unemployment, such as the variable level of education and economic growth. According to the two-sector model theory, it explains that minimum wage policies will limit the increase in average wages in the formal sector and will then reduce the number of workers in the formal sector, workers who lose their jobs in the formal sector move to the informal sector. Currently, Indonesia itself still has many workers working in the informal sector so that the influence of the minimum wage, although it has a significant effect on the unemployment rate, has a relatively small effect compared to other variables that influence the unemployment rate.

These results show how the district minimum wage has increased and has had a positive impact on unemployment (unemployment has also increased) in accordance with research conducted by Analiz, Gindling, and Terrell (2011). Where, in this research it was revealed that the minimum wage policy reduced recruitment by companies and increased the rate of layoffs.

An increase in the average wage as a result of an increase in the minimum wage is able to reduce the amount of poverty, which means that if the average wage increases, the level of poverty will decrease. This happens because an increase in wages will increase income for workers so that it will improve the quality of life of workers and their

welfare. The results of this research are in line with research conducted by Alaniz, Gindling, and Terrell (2011) which explains that the minimum wage policy is able to increase the average wage of workers thereby increasing workers' income, especially workers with low wages.

Therefore, these results show the same results, where the minimum wage is able to increase the average wage for workers because this increase will make the income of workers, especially workers with low wage levels, increase and be able to encourage them to be able to meet their living needs.

Based on these results, it strengthens our conclusion that the district minimum wage is able to improve the welfare conditions of workers by increasing their income. So that workers are able to improve their welfare.

The decreasing trend in poverty is in line with the continued increase in workers' wages. Increasing wages for workers allows them to meet their basic living needs or even exceed their basic living needs. Unemployment is closely related to poverty, this is because when someone is unemployed they will not earn an income so they cannot fulfill their needs for a decent living. The increase in the unemployment rate is always directly proportional to the increase in the poverty rate.

It can be proven that the increasing unemployment rate results in an increase in the number of poor people. The direct effect of unemployment on poverty shows that if unemployment increases, the poverty level will also increase. The increase in the unemployment rate was caused by high wage levels which resulted in companies laying off their employees and recruiting fewer workers. This research is in line with research conducted by Ramirez, Pensa, and Mogensen (2015) which shows that the minimum wage policy will increase the number of unemployed and then the increasing number of unemployed will result in an increase in the number of poor people. The increase in wages for workers causes some workers to lose their jobs so that this makes workers' conditions more difficult as explained in research by Neumark (2014) which explains that workers below the standard minimum wage policy workers will ultimately result in an increase in the number of unemployed which as a result will worsen workers' conditions. becomes more difficult.

This negative relationship between unemployment and poverty is also in accordance with research conducted by Sen, Rybczynski, and Van De Waal (2011) which explains that there is a positive relationship between unemployment and poverty. The minimum wage, which was initially intended to improve welfare, actually had a negative impact on increasing the number of unemployed, which increased the number of poor people. The effect of the minimum wage on poverty is indirect, namely through the average wage variable which will influence the unemployment rate and poverty rate. The minimum wage will clearly increase the average wage of workers. This is in accordance with research by Perez (2015) which explains that the minimum wage increases wages for workers in both the formal and informal sectors.

The increase in average wages resulting from an increase in the minimum wage itself will increase the unemployment rate which will result in an increase in the number of poor people due to loss of income from contract terminations and difficulties in finding work. In this study, a summary of the direct, indirect and total effects between the research variables. An increase in the minimum wage results in an increase in the average

wage and results in an increase in the number of unemployed. An increase in the minimum wage results in an increase in the average wage and unemployment which will cause an increase in the number of poor people, but the direct effect of the average wage itself is able to reduce the number of poor people itself as well as the indirect effect of the minimum wage. An increase in income due to increasing wages will be able to get people out of the trap of poverty. This research is in accordance with research conducted by Analiz, Gindling, and Terrell (2011) where it is explained that although an increase in the minimum wage increases the number of unemployed, the increase in income itself is able to reduce the amount of poverty (Padel Aji Pamungkas, Agus Suman Faculty of Economics and Business, Brawijaya University, Malang, Vol 5 No.2 of 2016).

The government's current policy of determining minimum wages is to form a Regency Wage Council which consists of elements from the Indonesian Employers' Association (Apindo), Academic Elements, Workers Union Elements and Elements from the Manpower Service representing the Regional Government. This Wage Council provides recommendations for increasing the district's minimum wage every year. The district wage council carries out activities such as discussing the needs for a decent living, inflation and economic growth including proposals for wage increases for each element. And if necessary, the district wage council can carry out a survey of decent living needs in the area. After providing a recommendation for an increase in the district minimum wage, the recommendation is submitted to the Regent and then submitted to the Governor for the district minimum wage value to be determined by the Governor.

6 Conclusion

Based on the research results and discussion, it can be concluded that district minimum wages, company relocation, unemployment and poverty require attention from the government and stakeholders. The district minimum wage partially has no significant effect on company relocation, unemployment and poverty and the district minimum wage simultaneously influences company relocation, unemployment and poverty and has a very strong relationship. Several suggestions are given as follows: To improve the effectiveness of the district minimum wage, the government acts as a facilitator and moderator for workers and employers in determining wage levels, then provides complementary regulations to prevent the termination of workers' employment by companies due to wage increases so that the benefits of the increase can be felt by workers. The government must also provide incentives for companies that comply with district minimum wage regulations, such as relief in paying income tax and reductions in various licensing fees. The minimum wage policy cannot be the only benchmark for improving workers' welfare, so complementary policies are needed so that this policy can have the desired impact. If the government wants to improve workers' welfare, economic growth must be of higher quality so that economic growth is able to absorb labor and reduce unemployment so that workers do not lose their jobs and can receive benefits from the minimum wage policy. The government must also implement policies to improve the quality of the workforce, starting with facilitating access to education so that the workforce has higher skills. Apart from that, non-formal education such as skills courses

will be able to improve workforce skills. With high skills, labor productivity will increase, increased productivity will make the district minimum wage proportional to worker productivity.

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