
ANALYSIS OF THE INFLUENCE OF MINIMUM WAGE AND HUMAN DEVELOPMENT INDEX ON UNEMPLOYMENT RATE IN INDONESIA

Syamsul Huda, Anik Yuliati

Fakultas Ekonomi dan Bisnis UPN "Veteran" Jawa Timur, Indonesia
Email: syamsul.huda.ep@upnjatim.ac.id, anikyuliati.ak@upnjatim.ac.id

ABSTRACT

KEYWORDS

Minimum Wage, Human
Development Index,
Unemployment

One of the many development goals is to improve the performance of the economy in order to be able to create jobs and organize a decent life for all the people which in turn will realize the welfare of the population. The purpose of this study is to determine the effect of the minimum wage on the unemployment rate in Indonesia and to determine the effect of the human development index on the unemployment rate in Indonesia. The method used is quantitative method with multiple linear regression analysis and statistical test using t-statistical test. The results showed that the wage level had a positive and insignificant effect on unemployment. Meanwhile, the human development index has a negative and insignificant effect on unemployment

INTRODUCTION

Human resource development is one of the main goals for developing countries including Indonesia. To improve the quality of human data sources, the government as the implementing agency for national development certainly requires capital as the basis for development. Governments make expenditures or investments indicated for human development. Government spending is a reflection of the policies taken by the government. In this case, government spending is used to finance the public sector which is more important and becomes a priority in improving human data sources as reflected in the Human Development Index (HDI).

Humans are the wealth of the nation, if the community has enjoyed a long life and is healthy and knowledgeable, the region or state will be productive so that they can get a decent standard of living. If a region or country has a high Human Development Index (HDI), the success of human development is also high. The increasing population will increase the number of workers and this addition allows increasing production (Arifin and Fadlan 2021).

In addition to the rapid increase in the growth of human development and the relatively slow growth in employment, the problem of unemployment in an area is getting higher. A high unemployment rate is a measure of the lack of success in a country's development (Mukhtar, Saptono, and Arifin 2019).

The next thing that affects the unemployment rate is the minimum wage. The relationship between the minimum wage and the unemployment rate is that the higher the wage set by the government, the lower the unemployment rate (Soldier 2018).

Based on the above background, the researcher is interested in conducting a research entitled "Analysis of the Effect of Minimum Wage and Human Development Index on Unemployment Rate in Indonesia".

a. Minimum wage

The minimum wage is regulated in Articles 88 to 92 of the Manpower Law and Regulation of the Minister of Manpower and Transmigration No. 7 of 2013 concerning Minimum Wages. The minimum wage according to Article 1 point 1 Permenakertrans No. 7 of 2013 is the lowest wage consisting of basic wages including fixed allowances by the Governor as a safety net. Provincial minimum wages are directed at achieving decent living needs. The minimum wage is determined by the Governor by taking into account the recommendations of the Provincial Wage Council and or the Regent/Mayor. Employers are prohibited from paying wages lower than the minimum wage (Amiliya 2019).

b. Human Development Index (HDI)

The Human Development Index (HDI) is one of the indicators to determine economic development that measures the quality and non-physical level of the population, namely health, education level and economic indicators. The United Nations Development Program (UNDP) introduced the HDI or Human Development Index (HDI) for the first time in 1990. The HDI is also used as a tool to measure people's welfare and community welfare can be seen from the increase in the economy and the even distribution of income (Yanthi and Marhaeni 2015).

The HDI value of a country or region shows how far the country or region has achieved the specified targets, namely a life expectancy of 85 years, basic education for all levels of society (without exception), and levels of expenditure and consumption that have reached a decent standard of living. The closer a region's HDI value is to 100, the closer the road to achieving that goal is.

The composition of the HDI is based on three indicators, namely health, education, and living standards (purchasing power) or income. An increase in a person's education is often associated with an increase in income or wages earned. If wages reflect productivity, the more people who have a higher level of education and training experience, the higher the productivity and the result is that the national economy will grow higher (Prasetyoningrum and Sukmawati 2018).

The human development index in Indonesia is still relatively low compared to other countries in the world. According to data from the Central Statistics Agency (2018), there is a slowdown in the growth of the Human Development Index (HDI) in the 2016-2018 period compared to previous years, although nominally it continues to grow positively (Ningrum, Khairunnisa, and Huda 2020).

c. Unemployment

The higher the quality of a person will affect the contribution to the company, so the wages received are also getting bigger. The higher the wage set by the government, the lower the number of people working in a country (Z, Istiyani, and Hanim 2017).

According to Sadono in Kasnelly and Wardiah (2021) that the condition of an individual who is of working age but has not yet received it is called unemployment. In statistical indicators, residents or individuals who have not worked are trying to find work or are not looking for work because they are considered to be working but have not started working, it is called unemployment.

Year by year unemployment has a tendency to increase. This is a big challenge for the Indonesian government because one of the indicators of successful development is being able to reduce unemployment (Suripto and SUBayi 2020).

Todaro in deep [Utami and Masjkuri \(2018\)](#) stated that the underdevelopment of the population of developing countries is mainly due to the high rate of population growth and low absorption of labor, causing low productivity so that income is low, this results in a standard of quality of life or a low standard of living.

According to [Utami and Masjkuri \(2018\)](#) also the way to reduce the open unemployment rate is as follows.

- a. Provide education and job training.
- b. Expansion of job opportunities at home and abroad.

Acceleration of industrialization in the economic sector and in rural areas, in order to absorb a lot of workers.

METHOD RESEARCH

The quantitative method is the research method chosen in this study to answer research questions. Quantitative problems more generally have a large area, complex levels of variation but are located on the surface ([Mulyadi 2011](#)). The data used are primary data and secondary data. Primary data obtained from the website of the Central Statistics Agency (BPS). While secondary data obtained by library research method. Library Research is a study that is used to collect information and data with the help of various kinds of assistance such as books, journals, articles and others ([Mirzaqon and Purwoko 2018](#)). Library Research also means data collection techniques by reviewing books, literature, notes, and reports related to the problem under study ([Cahyono 2020](#)). The data sources used as materials are books, journals, articles, and similar things that are obtained through Google Scholar.

RESULTS AND DISCUSSION

1. Multiple Linear Regression Analysis

Based on the selected model, the Fixed Effect (Cros Section Weight) model is selected, so that it is obtained:

Table 1
Multiple Regression Results with Fixed Effect Cross Section Weight Model

| Variable | Coefficient | Probability |
|-------------------------|-------------|-------------|
| Constant | 0.373730 | 0.8557 |
| Minimum wage | 0.215211 | 0.0064 |
| Human Development Index | -0.577833 | 0.5121 |

Based on the table above, it is explained as follows:

1) Constant

A constant of 0.37 means that the independent variable (minimum wage and human development index) = 0, then unemployment in Indonesia increases by 0.373730 percent. However, the relationship between these variables is not significant.

2) Minimum wage

If the minimum wage increases by 1 million rupiah, the unemployment rate in Indonesia will significantly increase by 0.215211.

3) Human Development Index

If the human development index has a high value, then the unemployment rate will decrease by 0.577833 percent.

2. t-Statistics Test

T-statistical test needs to be done to determine the effect of each independent variable on the dependent variable with a confidence level of 95% ($\alpha = 0.05$). The following are the results of the t-statistical test of the minimum wage and the human development index in Indonesia.

Table 2
T-Statistics Test Results

| Variable | t-Stats | Prob | Significant Level | Relationship Direction | Information |
|--------------|-----------|--------|-------------------|------------------------|-----------------|
| Minimum wage | 2.753452 | 0.0064 | 0.05 | Positive | Not significant |
| HDI | -0.649845 | 0.5121 | 0.05 | Negative | Not significant |

Discussion

1. Effect of Minimum Wage on Unemployment Rate

The minimum wage coefficient is 0.215211 shows that the minimum wage has a positive and not significant effect. It is indicated by the probability value of the t test which is smaller than the significant level used, namely $0.0064 < 0.05$ and the t value of the minimum wage statistic is 2.753452, thus the hypothesis that states the significant effect of the minimum wage on unemployment is ACCEPTED. This means that the higher the minimum wage, the higher the unemployment rate in Indonesia.

This is in line with research conducted by which states that the effect of the minimum wage shows a significant and positive impact on unemployment (Pratomo 2019). Supported by research conducted by (Sa'adah and Ardyan 2016) shows that the minimum wage has a significant effect on the unemployment rate.

2. The Effect of the Human Development Index on the Unemployment Rate

The coefficient of the Human Development Index is -0.577833 indicates that Human Development Index negative and insignificant effect. It is indicated by the probability value of the t test which is greater than the significant level used, namely $0.5121 > 0.05$ and the t value of the minimum wage statistic is -0.649845, thus the hypothesis that states a significant effect between Human Development Index against unemployment REJECTED. It means higher The Human Development Index will reduce the unemployment rate in Indonesia.

Based on research conducted by Garnella, Wahid, and Yulindawati (2020) that the human development index is measured by a comparison of life expectancy, education, and standard of living has a negative and significant effect on the unemployment rate, which means that any increase in the human development index can cause a decrease in the open unemployment rate.

In line with research conducted by that the Human Development Index (HDI) has a negative and significant effect on the unemployment rate, which shows that the greater the value of the Human Development Index (HDI), the lower the unemployment rate (Mahroji and Nurkhasanah 2019).

CONCLUSION

Based on the results of the study, it can be concluded as follows: a) the minimum wage has a positive and insignificant effect on the unemployment rate in Indonesia. This means that the higher the minimum wage for Indonesian people, the higher the unemployment rate in Indonesia. b) the human development index has a negative and

insignificant effect on unemployment in Indonesia. The higher the human development index, the lower the unemployment rate in Indonesia.

REFERENCES

- Amiliya, Faro. 2019. "Pengaruh Upah Minimum Dan Penyerapan Tenaga Kerja Terhadap Tingkat Pengangguran Terbuka Di Provinsi Banten Tahun 2011-2015."
- Arifin, Siti Rahmawati, and Fadlan. 2021. "Pengaruh Indeks Pembangunan Manusia (IPM) Dan Tingkat Pengangguran Terhadap Pertumbuhan Ekonomi Di Provinsi Jawa Timur Tahun 2016-2018." *Iqtishadia: Jurnal Ekonomi & Perbankan Syariah* 8(1): 38–59.
- Cahyono, Aris Dwi. 2020. "Studi Kepustakaan Mengenai Kualitas Pelayanan Terhadap Kepuasan Pasien Rawat Jalan Di Rumah Sakit." *Jurnal Ilmiah Pemenang - JIP* 2(2): 1–6.
- Garnella, Riska, Nazaruddin Wahid, and Yulindawati. 2020. "Pengaruh Pertumbuhan Ekonomi, Indeks Pembangunan Manusia (IPM) Dan Kemiskinan Terhadap Tingkat Pengangguran Terbuka Di Provinsi Aceh." *JIMEBIS* 1(1): 21–35.
- Kasnely, Sri, and Jannatin Wardiah. 2021. "Pengaruh Tingkat Pengangguran Dan Tingkat Kemiskinan Terhadap Indeks Pembangunan Manusia Di Indonesia." *Al-Mizan: Jurnal Ekonomi Syariah* 4(2): 44–54.
- Mahroji, Dwi, and Iin Nurkhasanah. 2019. "Pengaruh Indeks Pembangunan Manusia Terhadap Tingkat Pengangguran Di Provinsi Banten." *Jurnal Ekonomi-Qu* 9(1): 51–72.
- Mirzaqon, Abdi, and Budi Purwoko. 2018. "Studi Kepustakaan Mengenal Landasan Teori Dan Praktik Konseling Expressive Writing." *Jurnal BK UNESA* 8(1): 1–8.
- Mukhtar, Saparuddin, Ari Saptono, and As'ad Samsul Arifin. 2019. "Analisis Pengaruh Indeks Pembangunan Manusi Dan Tingkat Pengangguran Terbuka Terhadap Kemiskinan Di Indonesia." *Jurnal Ecoplan* 2(2): 77–89.
- Mulyadi, Muhammad. 2011. "Penelitian Kuantitatif Dan Kualitatif Serta Pemikiran Dasar Menggabungkannya." *Jurnal Studi Komunikasi dan Media* 15(1): 127–38.
- Ningrum, Jahtu Widay, Aziza Hanifa Khairunnisa, and Nurul Huda. 2020. "Pengaruh Kemiskinan, Tingkat Pengangguran, Perumbuhan Ekonomi Dan Pengeluaran Pemerintah Terhadap Indeks Pembangunan Manusia (IPM) Di Indonesia Tahun 2014-2018 Dalam Perspektif Islam." *Jurnal Ilmiah Ekonomi Islam* 6(2): 212–22.
- Prasetyoningrum, Ari Kristin, and Sulia Sukmawati. 2018. "Analisis Pengaruh Indeks Pembangunan Manusia (IPM), Pertumbuhan Ekonomi Dan Pengangguran Terhadap Kemiskinan Di Indonesia." *Equilibrium: Jurnal Ekonomi Syariah* 6(2): 217–40.
- Pratomo, Ade Mulya. 2019. "Pengaruh Upah Minimum, Pertumbuhan Ekonomi, Dan Industri Terhadap Pengangguran Di Provinsi Jawa Barat."
- Prawira, Syurifto. 2018. "Pengaruh Pertumbuhan Ekonomi, Upah Minimum Provinsi, Dan Tingkat Pendidikan Terhadap Pengangguran Terbuka Di Indonesia." *EcoGen* 1(1): 162–68.
- Saadah, Novi Wikhdatus, and Putu Sardha Ardyan. 2016. "Analisis Pengaruh Upah Minimum Pekerja Dan Jumlah Penduduk Miskin Terhadap Tingkat Pengangguran Di Surabaya." *JEB Jurnal Ekonomi & Bisnis* 1(2): 129–46.
- Suripto, and Lalu SUBayi. 2020. "Pengaruh Tingkat Pendidikan, Pengangguran, Pertumbuhan Ekonomu Dan Indeks Pembangunan Manusia Terhadap Kemiskinan Di D.I Yogyakarta Periode 2010-2017." *GROWTH: Jurnal Ilmiah Ekonomi Pembangunan* 1(2): 127–43.

- Utami, Hapsari Wiji, and Siti Umajah Masjkuri. 2018. "Pengaruh Pertumbuhan Ekonomi, Upah Minimum, Tingkat Pengangguran Terbuka Dan Pendidikan Terhadap Jumlah Penduduk Miskin." *Jurnal Ekonomi dan Bisnis Airlangga* 28(2): 105–16.
- Yanthi, Cokorda Istri Dian, and Marhaeni. 2015. "Pengaruh Pendidikan, Tingkat Upah, Dan Pengangguran Terhadap Persentase Penduduk Miskin Di Kabupaten/Kota Provinsi Bali." *PIRAMIDA* 11(2): 68–75.
- Z, R. Achmad Ryan, Nanik Istiyani, and Anifatul Hanim. 2017. "Analisis Pengaruh Pertumbuhan Ekonomi, Jumlah Angkatan Kerja Dan Upah Minimum Regional Terhadap Pengangguran Terdidik Di Jawa Timur." *Jurnal Bisnis dan Akuntansi* 4(2): 187–91.

Copyright holders:
Syamsul Huda, Anik Yuliati (2022)

First publication right:
Devotion - Journal of Research and Community Service



This article is licensed under a [Creative Commons Attribution-ShareAlike 4.0 International](https://creativecommons.org/licenses/by-sa/4.0/)