

## WHAT IS THE CONDITION OF THE MINIMUM WAGE OF LAMPUNG PROVINCE IN 2016-2022

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### *Abstract*

*The research team behind this study set out to answer this question by looking at how employment rates in Lampung Province were affected by economic growth, unemployment, and provincial minimum wages. This survey takes a quantitative approach, collecting and analyzing secondary data from 2016 through 2022. The data was collected using a documented procedure, and then subjected to SPSS-based multiple regression analysis. This study found that in the municipalities of Lampung Province, the minimum wage did not have a statistically significant negative effect on employment. Reason being, if wages are raised, workers will have enough money to provide for their basic needs as well as the luxuries that make life worth living. If workers' diets improve, worker productivity will increase, resulting in increased production and firms will hire more workers for production.*

**Keywords:** *Minimum Wage, Labor, Lampung Province*

### INTRODUCTION

The importance of labor for economic growth is a fact that is a key factor in determining the level of growth achieved. Development efforts that lead to economic progress begin and are carried out only on the labor component because the economy cannot live without the intervention of workers (Rofii & Ardyan, 2017). Economic development through the labor force is one of the most important economic assets that directly affects the level of economic development in a region. Indonesia is a developing country and one of the countries facing labor problems (Soleh, 2017).

If many people lose their jobs then this will be a problem that slows down development (Hasan & Azis, 2018). The Central Statistics Agency (BPS) revealed that Indonesia's labor force will grow to 121.87 million in August 2022. Since August 2016, this figure has increased by 1.41 percent, or about 1.7 million more people. Having more people looking for work increases the supply of workers in the market, but it does not necessarily correlate with an increase in demand for workers (Putri, et al 2021).

Indonesia's high unemployment rate of 5.94% (7.24 million people) in 2017 is an indication of this. Although the numbers are different, employment in Indonesia is very similar to Lampung province. Of the total projected population of 6,003,702 in Lampung Province in 2022, 4,072,487 will be of working age. The labor force participation rate and unemployment rate peaked at 4.62 percent. Here are the working conditions of Lampung Province between 2016 and 2022.

Table 1. Employment Condition in Lampung Province 2016-2022 (Population)

Years	Labor Force	Employed	Unemployed
2016	3.957.696	3.737.077	220.603
2017	3.598.091	3.368.487	229.603
2018	3.709.598	3.516.857	192.744
2019	3.681.083	3.471.601	209.481
2020	3.857.937	3.673.157	184.777
2021	3.837.109	3.635.257	196.851
2022	4.072.486	3.896.231	176.259

*Source: Lampung Province Central Bureau of Statistics*

Based on Table 1.1, it can be seen that the labor force and employment opportunities in Lampung Province tend to fluctuate during the period 2016-2022. The labor force in Lampung

Province is increasing from year to year and will total 4,072,487 in 2022. Labor force recruitment is declining, with a low of 3,368,486 in 2016 and a high of 3,896,230 in 2022, but in terms of unemployment, it is a low of 176,257 in 2022. The highest unemployment rate was 229,980 in 2017.

Rapid population growth and a growing labor force create their own problems. There is an imbalance between the number of people of working age, which continues to increase. The increase in the labor force without job creation leads to increased unemployment (Adriyanto, Prasetyo, & Khodijah, 2020). Rising unemployment, as is the case in Lampung, weighs heavily on the economy and has a negative impact on people's standard of living. The government and society are both in trouble with the country's inability to stop the increase in unemployment. To effectively contribute to reducing unemployment, economic policy instruments need to be developed to encourage the expansion of employment (Sherif, 2013).

The government has taken steps to improve the wage system through the minimum wage policy in an effort to deal with the labor crisis. Raising workers' salaries and overall wage levels is one of the objectives of minimum wage laws. In general, higher wages are good for the economy as they encourage people to spend more, but may have the opposite effect on the labor market under certain circumstances.

Minimum wages that are higher than the average wage level of workers may encourage employers to reduce their labor input, thus slowing down employment growth (Sharma, 2006). Low labor absorption tends to be affected by minimum wages, and an increase in minimum wages leads to a decrease in employment, which also results in a decrease in the number of jobs.

Table 2. Minimum Wage of Lampung Regency/City in 2016-2022 (Rupiah)

Regions	2016	2017	2018	2019	2020	2021	2022
West Lampung	767.500	855.000	975.000	1.150.000	1.399.037	1.581.000	1.763.000
Tanggamus	767.500	855.000	975.000	1.150.000	1.399.037	1.581.000	1.763.000
South Lampung	767.500	855.000	975.000	1.150.000	1.402.000	1.595.000	1.800.500
East Lampung	767.500	855.000	975.000	1.150.000	1.399.037	1.581.000	1.763.100
Central Lampung	776.000	862.500	982.000	1.154.500	1.400.000	1.588.000	1.770.620
North Lampung	767.500	855.000	975.000	1.150.000	1.399.037	1.581.000	1.763.000
Way Kanan	767.500	866.000	983.000	1.160.000	1.408.000	1.590.000	1.763.000
Tulang Bawang	776.500	863.000	982.000	1.150.000	1.401.000	1.585.000	1.771.200
Pesawaran	767.500	855.000	975.000	1.150.000	1.399.037	1.581.000	1.763.000
Pringsewu	767.500	855.000	975.000	1.150.000	1.399.037	1.581.000	1.763.000
Mesuji	767.500	855.000	975.000	1.150.000	1.399.037	1.581.000	1.763.000
West Tulang Bawang	767.500	855.000	975.000	1.150.000	1.399.037	1.581.000	1.792.100
Bandar Lampung	776.000	865.000	981.000	1.165.000	1.422.500	1.649.500	1.870.000
Metro	767.500	855.000	975.000	1.150.000	1.420.000	1.581.000	1.764.000

Source: Lampung Province Central Bureau of Statistics

See Table 1.2 for a breakdown of minimum wage increases across Lampung province between 2016 and 2022. Every year, Lampung Province increases its minimum wage. The average salary in Lampung cities in 2016 was 776,000, with the lowest being in West Lampung, Tangamsu, South Lampung, North Lampung, East Lampung, Wei Khanan, Pesawalan, Princeu, Mesji, Turan Bhawan Barat, and Metro. In 2016, West Lampung, Tangamsu, East Lampung, Pesawaran, North Lampung, Princeu, and Mesji all had a minimum wage of 1,763,000, while Bandar Lampung's minimum wage was 1,870,000.

Based on the various facts above, it is necessary to analyze the condition of the minimum wage in Lampung province so that further analysis can be carried out.

**METHOD**

This qualitative study aims to explain the relationship between economic development, unemployment, and minimum wage in Provence and the emergence of employment in Lampung Province. The survey is quantitative in nature, and uses secondary data collected between 2016 and 2022. Information was collected for this research from various sources stored in the library.

**RESULTS AND DISCUSSION****Classical Assumption Test****Normality Test**

The criteria for normality must be met by the tested data. The Kolmogorov- Smirnov test for a single sample is used here. Assuming a significance level of 0.05 or higher, the data is assumed to be normally distributed. The following table displays the findings of the Kolmogorov-Smirnov normality test applied to the residuals of the regression equation.

Table 3. Normality Test

		Unstandardize D Residual
N		98
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	.43753545
Most Extreme Differences	Absolute	.106
	Positive	.067
	Negative	-.106
Kolmogorov-Smirnov Z		1.053
Asymp. Sig. (2-tailed)		.217

Source: Data Processed, 2023

The results of the Kolmogorov-Smirnov one-sample method normality test for the independent and dependent variables are shown in Table 1.3 above, where the residual is shown as 0.217 with a magnitude (N) of 98. Because the residual is greater than the significance level ( $0.217 > 0.05$ ), it can be concluded that the data in this study are normally distributed.

**Multicollinearity**

The multicollinearity test is used to determine whether data exhibiting multicollinearity interferes when there is a correlation between the independent variables. This procedure is done to ensure that multicollinear interference does not affect the data. If the test results indicate a multicollinearity problem and the tolerance is less than 0.1 or the VIF value is greater than 10, then the data passes the multicollinearity test. The following are the results of the data processing:

Table 4. Multicollinearity Test

Modal	Unstandardized Coefficients		Standardized coefficients	t	Sig	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Costant)	9.118	2.132		4.277	.000		
Minimum Wages	-.094	.153	-.045	-.618	.538	.987	1.013

Source: Data Processed, 2023

If the multicollinearity test above does not find evidence of multicollinearity between independent variables, then the results of the VIF test and tolerance test can provide an explanation. Assume a tolerance of 0.999 after calculation. This means that all independent variables have a tolerance greater than 0.1, because  $0.987 > 0.100$ . As a result, we can conclude that the independent variables are not related to each other. The calculated value of the Variance Inflation Factor (VIF) supports this hypothesis. The highest VIF for each independent variable is 10. The lack of multicollinearity is indicated by a VIF value of less than 10 or equal to 1.013.

### Autocorrelation

The purpose of the autocorrelation test is to determine whether observations plotted in time (time series) or space (cross section) are correlated with each other. In this analysis, we use a test from the field of nonparametric statistics to determine if there are symptoms of autocorrelation. It can also be used to test the hypothesis that the residual data is generated systematically, rather than randomly.

Table 5. Autocorrelation test

	Unstandardized Residual
Test Value <sup>a</sup>	0.06420
Cases < Test Value	49
Cases $\geq$ Test Value	49
Value	
Total Cases	98
Number of Runs	20
Z	-6.092
Asymp. Sig. (2-tailed)	1.112

Source: Data Processed, 2023

Based on the test results for autocorrelation presented in table 5, it can be concluded that the residuals are random or there is no autocorrelation between residual values. The probability value of 1.112 is significantly above 0.05, which means that  $H_0$  is accepted, meaning that the residual values are random.

### Linear Test Results

Table 7. Results of Linear Test

Modal	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	9.118	2.132			4.277	.000
Minimum Wage	-.094	.153	-.045		-.618	.538

Source: Data Processed, 2023

The coefficient of the multiple regression equation above can be interpreted as follows:

1. The regression equation yields a constant value (a) of 9.118, which indicates an increase of 9.118 points in the employment variable when all other independent variables are held constant.

2. The results of a series of multiple regression analyses show that a one percentage point increase in the minimum wage has a negative impact on employment of 0.94 percentage points. The estimated regression coefficient turns out to be -0.1. In other words, a higher minimum wage correlates with fewer available jobs. If the minimum wage rises, fewer people are looking for work, and if it falls, more people are looking for work.

## DISCUSSION

The analysis of Table 7 proves that there is no statistically significant effect on the minimum wage, and the t-test based on the two-sided test for each parameter confirms this result ( $0.538 > 0.05$ ). The t-count value for this variable is also -0.618. The employment table is larger than the tcount (-0.618 1.985), so the tcount is smaller.  $H_a$  is rejected and  $H_0$  is accepted because the analysis proves that there is no statistically significant relationship between minimum wage and employment opportunities. The research findings show that the minimum wage has no significant effect on employment prospects. This is in line with the results of research conducted by Imam Buchari, who also found that the minimum wage has no significant effect on employment or the labor market.

This is consistent with Mankiw's optimal wage efficiency theory. The minimum wage does not lead to less work. Rising wage levels allow workers to fulfill their needs beyond a decent living. If workers are better fed, they will be more productive and the impact will result in higher production (Ghofur, 2020; Wijaya, 2015). Due to the high productivity of employees in production, companies can reduce production costs and there are no job losses. Therefore, although the marginal cost, i.e. the wage rate increases, the marginal labor product (MPL) also increases, so there is no effect, and the profit equilibrium condition  $MC=MR$  or  $W=MPL \times P$  is maintained appropriately. Workers become more productive when their wages are increased (Medoff & Abraham, 1981; Yasin & Priyono, 2016).

Minimum wage in a country does not significantly affect labor demand. He concluded and showed that minimum wage contributes to the existing unemployment. Therefore, if the local minimum wage is increased, the amount of unemployment can be reduced. If the minimum wage rises, people will be more willing to look for work and labor supply will increase. Increasing the available labor can help lower the unemployment rate (Nie & Struby, 2011; Feldmann, 2009) Lampung government should be careful when deciding on the next minimum wage even if it has no impact on employment. The goal here is to maintain a stable labor market (Nickell & Layard, 1999).

## CONCLUSION

The results found that the minimum wage variable has a negative and insignificant effect on employment growth in the districts/cities of Lampung Province. This is because if wages are increased, workers will have enough money to fulfill their basic needs and luxuries that make life worth living. If workers' diets improve, workers' productivity will increase, resulting in increased production and firms will hire more workers for production.

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