THE IMPACT OF MINIMUM WAGE, GROSS REGIONAL DOMESTIC PRODUCT, INFLATION, AND EDUCATION LEVEL ON LABOR ABSORPTION IN EAST JAVA PROVINCE 2011-2020

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Abstract

Objectives – The population growth in Indonesia is getting faster and faster as well as the population growth in East Java Province. The total population of East Java Province is the second largest in Indonesia after West Java Province. Data on the population growth rate of East Java Province in percentage from 2010 to 2020 reached 0.79%. However, the large rate of population growth in East Java Province has not been matched by a large number of labor absorbed in various economic sectors. This research is aimed to analyze the factors influencing minimum wage, gross regional domestic product, inflation, and education level on labor absorption in East Java from 2011-2020 in the period of 10 years.

Methods – This research is used quantitative research with a descriptive method. The decision-making sample in this research used purposive sampling, it got 7 regencies/cities for this research sample. The source of data is taken generally from the Central Bureau of Statistics (BPS). This study used the panel data regression analytical method of secondary data and the data selected for the fixed effect model, the software used in this research is Eviews 9.

Findings – The result showed as a simultaneous test, it is found that minimum wage, gross regional domestic product, inflation, and education level have a significant effect on labor absorption. As a partial test minimum wage and inflation have no significant effect on labor absorption, but gross regional domestic product and the education level variable has a significant effect on labor absorption. The value of coefficient determination (R²) in this research in the amount of 99.86% can be concluded on the dependent variable labor absorption. Meanwhile, 0.14% can be concluded by another variable.

Limitation – This research is limited to 7 urban districts so that the results found may be different if the number of samples is expanded.

Practical Implication – This research contributes to an overview of employment in East Java so that it can assist the government in making policies related to the minimum wage.

Keywords: Minimum Wage, Gross Regional Domestic Product, Inflation, Education Level, and Labor Absorption.
INTRODUCTION

Human is the most important resource in an organization for achieving success. Human resource is one of the organizational factors with creation, talent, creativity, and stimulus (Moh Agus Tulus, 1993). Indonesia is one of the countries that have problems with human resources one of the problems is regarding labor. The problem in question is the problem of the high number of unemployed and the number of poverty addition. Constantly, where it is known that unemployment and poverty are problems that hinder the development process. The Central Bureau of Statistics (BPS) noted that the labor force in Indonesia in February 2019 reached 136,18 million people this number increased by 2,24 million people compared to the situation in February 2018 and the poverty severity index increased in September 2018 reached 0,560% compared to the situation in September 2017 reached 0,557% (Badan Pusat Statistik, 2021).

Figure 1
The Population of Indonesia

![Population of Indonesia](image)

Source: Databoks, the data was created in 2020

Based on figure 1.1 shows that the population growth in Indonesia is getting faster and faster as well as the population growth in East Java Province. The total population of East Java Province is the second largest in Indonesia after West Java Province. Data on the population growth rate of East Java Province in percentage from 2010 to 2020 reached 0.79%. However, the large rate of population growth in East Java Province has not been matched by a large number of work fields in various economic sectors. So that it also makes the percentage of the unemployment rate in East Java Province increase every year (Data Dinamis Perekoniman Jawa Timur April 2021).
The increase of the population growth rate is getting an increase in a workforce that indicates an increase in the supply of labor in the market, but an increased supply of labor is not always accompanied by a demand for labor capable of absorbing the labor force. This is indicated by the highest open unemployment rate in Indonesia on August 2020 was 7.07% of the population (Badan Pusat Statistika, 2021). This problem is important considering that it is closely related to unemployment. The high unemployment rate will later increase the probability of poverty, and socio-economic phenomena in society such as crime, and other phenomena.

Apart from unemployment and poverty, another problem faced by Indonesia is the level of education. Education in Indonesia is still very low in PISA (Programme for International Student Assessment) 2018 results, Indonesia is ranked 13th out of a total of 15 countries in Asia ((Dian Arthsalina, 2021). Launching World Bank data in 2018 the quality of education in Indonesia is still low even though the expansion of access to education for the community has increased quite significantly currently, Indonesia is ranked 108th in the world with a score of 0.603 (https://www.dw.com, 2021)

Furthermore, from some of the problems that have been described, based on the description of the background of the study above, it can be formulated the main problems to be discussed in this research, how are the significance of minimum

LITERATURE REVIEW

Imam Buchari under the title "Pengaruh Upah Minimum dan Tingkat Pendidikan Terhadap Penyerapan Tenaga Kerja Sektor Industri Manufaktur Di Pulau Sumatera Tahun 2012-2015". This study aims to determine the effect of the Minimum Wage and Education Level on Manpower Absorption in the Manufacturing Industry Sector on Sumatra Island from 2012 to 2015. The results of the study found that the provinces had a negative coefficient direction. However, the minimum partial does not have a significant influence on the employment of the manufacturing industry sector on the island of Sumatra for the 2012-2015 period. Meanwhile, the education level of the workforce has a positive and significant impact on the employment of the manufacturing industry sector on the island of Sumatra for the period 2012 to 2015.

The journal was researched by Alamsyah and Muhammad Effendi under the title "Influence of Education Level and Minimum Wages on Labor Absorption in South Kalimantan Province in 2014-2018". This study aims to determine the Effect of Education Level and Minimum Wage on Labor Absorption in South Kalimantan Province from 2014 to 2018. The results of the study show that the level of education and the minimum wage simultaneously have a significant effect on employment in regencies/cities in South Kalimantan Province during the study period of 5 years, from 2014 to 2018.

The journal was researched by Fivien Muslihatinningsih, Miftahul Walid, I Wayan Subagiarta under the title "Labor Absorption in East Java Province". This study aims to determine the factors that affect employment in East Java Province from 2010 to 2017. The results of the study show that wages, education level, and Gross Regional Domestic Product (GRDP) had a significant positive relationship in influencing labor absorption.
Research framework

The conceptual framework used in this research is the Multiple conceptual frameworks:

![Research Framework Diagram]

Hypotheses

The hypothesis is a temporary statement of the observed facts. The hypothesis is a temporary answer formulation that must be tested for truth with the data analyzed in research activities. The hypotheses are:

1. \( H_1 = \) The minimum wage has a significant effect on labor absorption in East Java Province
2. \( H_2 = \) Gross Regional Domestic Product (GDP) has a significant effect on labor absorption in East Java Province
3. \( H_3 = \) Inflation has a significant effect on labor absorption in East Java Province.
4. \( H_4 = \) Education level has a significant effect on labor absorption in East Java Province
5. \( H_5 = \) Minimum wage, gross regional domestic product, inflation, and education level have a significant effect on labor absorption in East Java Province.
RESEARCH METHODS

1. Research Type

   The method used is quantitative research with a descriptive method. The descriptive method is a method by describes the object of research at present based on the facts as they are, then analyzed and interpreted, in the form of surveys and development studies (Syofian Siregar, 2017).

2. Population

   The population is a generalization area consisting of objects or subjects that have certain qualities and characteristics that are applied by researchers to be studied and conclusions (Sugiyono, 2012). The population that will be taken in this research is all data reports on minimum wage, gross regional domestic product, inflation, education level, and employment for the last ten years, namely 2011-2020 in East Java Province.

3. Sample

   In this research, the writer uses the purposive sampling technique. Purposive sampling is a sampling technique that is carried out based on the defining characteristic of the target population elements that are adapted to the objectives or research problems (Hendri Tanjung dan Abrista Devi, 2013). The samples selected in this study are eight regencies/cities in the province of East Java that had the following criteria:
   a) Regencies/cities that present minimum wage data during the study period
   b) Regencies/cities that present gross regional domestic product data during the study period
   c) Regencies/cities that present inflation data during the study period
   d) Regencies/cities that present data on education levels during the study period
   e) Regencies/cities that present data on employment during the study period.

4. Sources of Data

   The secondary data used to achieve the objectives in this research were fully obtained from The Central Bureau of Statistics (BPS) of East Java Province, data on minimum wages, gross regional domestic product, inflation, education level, and employment in East Java Province. The data period used is secondary data for 2011-2020 in the form of time series.
data and external ones obtained through sources outside the agency published in journals, articles, Al-Quran, hadith, and the internet.

5. The Data Analysis

The analysis of this research will be assisted by using a computer application Eviews 9 to answer, get the conclusions, and make decisions based on the analysis that has been done. This is the estimation model:

\[ \ln LA_it = \beta_0 + \ln \beta_1 W_it + \ln \beta_2 GRDP_it + \ln \beta_3 I_i + \ln \beta_4 Educi + e_i \]

Description:
- \( \ln \) = Logaritma natural
- \( LA \) = Labor Absorption (soul)
- \( t \) = period 2011-2020
- \( I \) = entity
- \( \beta_0 \) = intercept (konstanta)
- \( \beta_1, \beta_2, \beta_3, \beta_4 \) = regression coefficient every variable
- \( W \) = Minimum Wage (rupiah)
- \( GRDP \) = Gross Regional Domestic Product (Billion rupiah)
- \( I \) = Inflation (miliyard rupiah)
- \( Educ \) = Level Education (soul)
- \( e \) = error

RESULTS AND DISCUSSION

Chow Test

The f-restricted test (Chow test) is a test for the select approach of the panel data regression model that will be used. The Chow test is used to select the best model between the common effect and fixed effect. For test chow test is used accessories software Eviews. The result from a count chow test statistic is as follows:

<table>
<thead>
<tr>
<th>Chow Test Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redundant Fixed Effects Tests</td>
</tr>
<tr>
<td>Equation: Untitled</td>
</tr>
<tr>
<td>Test cross-section fixed effects</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Effects Test</th>
<th>Statistic</th>
<th>d.f.</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The probability of Cross-section F is 0.0000 < critical limit 0.05, so it can be concluded to choose a fixed effect than a common effect estimation. Furthermore, it can continue to the next test is Hausman Test.

**Hausman Test**

Hausman test was used to equal the best model between fixed effect and random effect. If the Hausman test value statistic is higher than the critical value, while it is rejected H0 and the right model is the fixed-effect model, the opposite is if the Hausman test value statistic is lower than the critical value. So, the right model is the random effect model. The result of the Hausman test is as follows:

<table>
<thead>
<tr>
<th>Test Summary</th>
<th>Chi-Sq. Statistic</th>
<th>d.f.</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section random</td>
<td>1162.816433</td>
<td>4</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

*Sources: The Result Eviews 9 (2022)*

The resulting cross-section random is in the amount of 0.0000 < 0.05 with the result that the best model from the panel data regression in this research uses the approach fixed effect model.

**The Result of the Regression of Panel Data**

<table>
<thead>
<tr>
<th>Table. 3</th>
<th>Estimated Fixed Effect Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent Variable: LOG(LABOR)</td>
<td></td>
</tr>
<tr>
<td>Method: Panel Least Squares</td>
<td></td>
</tr>
<tr>
<td>Date: 08/23/22 Time: 21:36</td>
<td></td>
</tr>
<tr>
<td>Sample: 2011 2020</td>
<td></td>
</tr>
<tr>
<td>Periods included: 9</td>
<td></td>
</tr>
<tr>
<td>Cross-sections included: 7</td>
<td></td>
</tr>
<tr>
<td>Total panel (balanced) observations: 63</td>
<td></td>
</tr>
</tbody>
</table>
Based on the finding of the best model, so the best method chosen is the fixed effect. The fixed effect will use for the equation estimation. The result uses the common effect method as follows:

\[
\ln \text{LA}_{it} = 8.541929 + \ln 0.009960 \cdot \text{WAGE}_{it} - \ln 0.275686 \cdot \text{GRDP}_{it} - \ln 0.004559 \cdot I_{it} + \\
\ln 0.096287 \cdot \text{Educ}_{it}
\]

**Classical Assumption Test**

1. **Normality Test**

   For detected the normality by observing the Jarque-Bera coefficient and probability. The result of the picture from the normality test used in this research is as follows:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>8.541929</td>
<td>0.990618</td>
<td>8.622830</td>
<td>0.0000</td>
</tr>
<tr>
<td>LOG(WAGE)</td>
<td>0.009960</td>
<td>0.044625</td>
<td>0.223191</td>
<td>0.8243</td>
</tr>
<tr>
<td>LOG(GRDP)</td>
<td>0.275686</td>
<td>0.114866</td>
<td>2.400064</td>
<td>0.0200</td>
</tr>
<tr>
<td>LOG(INFLA)</td>
<td>-0.004559</td>
<td>0.013782</td>
<td>-0.330810</td>
<td>0.7421</td>
</tr>
<tr>
<td>LOG(EDUC)</td>
<td>0.096287</td>
<td>0.031902</td>
<td>3.018201</td>
<td>0.0039</td>
</tr>
</tbody>
</table>

**Effects Specification**

Cross-section fixed (dummy variables)

<table>
<thead>
<tr>
<th>R-squared</th>
<th>0.998664</th>
<th>Mean dependent var</th>
<th>12.78620</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted R-squared</td>
<td>0.998407</td>
<td>S.D. dependent var</td>
<td>1.072578</td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>0.042804</td>
<td>Akaike info criterion</td>
<td>-3.307055</td>
</tr>
<tr>
<td>Sum squared resid</td>
<td>0.095274</td>
<td>Schwarz criterion</td>
<td>-2.932857</td>
</tr>
<tr>
<td>Log likelihood</td>
<td>115.1722</td>
<td>Hannan-Quinn criter.</td>
<td>-3.159881</td>
</tr>
<tr>
<td>F-statistic</td>
<td>3887.765</td>
<td>Durbin-Watson stat</td>
<td>1.790234</td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.000000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Sources: The Result Eviews 9 (2022)**
Based on the result of the normality test, the probability value is 0, 209050 > 0.05. Therefore, it can be concluded that the data in this study are normally distributed. The next test is a multicollinearity test. The test result is presented in the following table.

2. Multicollinearity Test

Before carrying out the analysis of panel data regression, it is important to know the correlation between research variables. Because the correlation test is observed by the reviews program. The result of the correlation test can be observed in the table as follows:

<table>
<thead>
<tr>
<th></th>
<th>LABOR</th>
<th>WAGE</th>
<th>GRDP</th>
<th>INFLA</th>
<th>EDUC</th>
</tr>
</thead>
<tbody>
<tr>
<td>LABOR</td>
<td>0.000000</td>
<td>0.478447</td>
<td>0.713961</td>
<td>-0.016281</td>
<td>0.954593</td>
</tr>
<tr>
<td>WAGE</td>
<td>0.478447</td>
<td>1.000000</td>
<td>0.623775</td>
<td>-0.430713</td>
<td>0.343318</td>
</tr>
<tr>
<td>GRDP</td>
<td>0.713961</td>
<td>0.623775</td>
<td>1.000000</td>
<td>-0.030314</td>
<td>0.652941</td>
</tr>
<tr>
<td>INFLA</td>
<td>-0.016281</td>
<td>-0.430713</td>
<td>-0.030314</td>
<td>1.000000</td>
<td>0.024324</td>
</tr>
<tr>
<td>EDUC</td>
<td>0.954593</td>
<td>0.343318</td>
<td>0.652941</td>
<td>0.024324</td>
<td>1.000000</td>
</tr>
</tbody>
</table>

From the table above, it can be seen that the value of the correlation coefficient between the independent variables in this study is in the range of numbers above 0.80 so it can be concluded that the data used in this study have multicollinearity problems.
3. Heteroscedasticity Test

**Table 5**

**Heteroscedasticity Test**

Dependent Variable: LOG(RESABS)
Method: Panel Least Squares
Date: 08/23/22 Time: 21:40
Sample: 2011 2020
Periods included: 9
Cross-sections included: 7
Total panel (balanced) observations: 63

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>7.5948136.517688</td>
<td>1.165262</td>
<td>0.2487</td>
<td></td>
</tr>
<tr>
<td>LOG(WAGE)</td>
<td>-0.6872200.483765</td>
<td>-1.420566</td>
<td>0.1608</td>
<td></td>
</tr>
<tr>
<td>LOG(GRDP)</td>
<td>0.0655410.182421</td>
<td>0.359286</td>
<td>0.7207</td>
<td></td>
</tr>
<tr>
<td>LOG(INFLA)</td>
<td>-1.5050450.347468</td>
<td>-4.331462</td>
<td>0.4331</td>
<td></td>
</tr>
<tr>
<td>LOG(EDUC)</td>
<td>0.0330920.184968</td>
<td>0.178907</td>
<td>0.8586</td>
<td></td>
</tr>
</tbody>
</table>

R-squared 0.2584344 Mean dependent var -2.989591
Adjusted R-squared 0.207291 S.D. dependent var 1.316572
S.E. of regression 1.172199 Akaike info criterion 3.231679
Sum squared resid 79.69493 Schwarz criterion 3.401769
Hannan-Quinn
Log-likelihood -96.79787 criter. 3.298576
F-statistic 5.053205 Durbin-Watson stat 3.149798
Prob(F-statistic) 0.001457

**Sources: The Result Eviews 9 (2022)**

Based on the table 4.7 used park test, the probability value of wage is 0.1608 > 0.05, the probability value of gross regional domestic product is 0.7207 > 0.05, the probability value of inflation is 0.4331 > 0.05, and the probability value of Education Level is 0.8586 > 0.05. It can be concluded all variables accepted H0 (rejected Ha) or it has not happened in the heteroscedasticity Test.
4. Autocorrelation Test

Table 6
AUTOCORRELATION TEST
Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

<table>
<thead>
<tr>
<th>Test Hypothesis</th>
<th>Cross-section</th>
<th>Time</th>
<th>Both</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breusch-Pagan</td>
<td>5.19E-05</td>
<td>131.7119</td>
<td>131.7119</td>
</tr>
<tr>
<td></td>
<td>(0.9942)</td>
<td>(0.0000)</td>
<td>(0.0000)</td>
</tr>
</tbody>
</table>

Sources: The Result Eviews 9 (2022)

Based on the table above with the Lagrange Multiplier model of 0.9942 > 0.05, we reject Ho and it can be concluded that there is no autocorrelation.

Hypothesis Test

The total observes in this research is 63 units with 5 variables (dependent and independent) and α 0.05. To get the value of the t-table so the equation is:

\[ df = n-k = 63-5 = 58 \text{ dan } \alpha/2 = 0.05/2 = 0.025 \]

The equation shows the result that the value of the t-table is 2.00172.

1. Partial Test (t-Test)

Table 7
PARTIAL TEST

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>8.541929</td>
<td>0.990618</td>
<td>8.622830</td>
<td>0.0000</td>
</tr>
<tr>
<td>LOG(WAGE)</td>
<td>0.009960</td>
<td>0.044625</td>
<td>0.223191</td>
<td>0.8243</td>
</tr>
<tr>
<td>LOG(GRDP)</td>
<td>0.275686</td>
<td>0.114866</td>
<td>2.400064</td>
<td>0.0200</td>
</tr>
<tr>
<td>LOG(INFLA)</td>
<td>-0.004559</td>
<td>0.013782</td>
<td>-0.330810</td>
<td>0.7421</td>
</tr>
<tr>
<td>LOG(EDUC)</td>
<td>0.096287</td>
<td>0.031902</td>
<td>3.018201</td>
<td>0.0039</td>
</tr>
</tbody>
</table>

Sources: The Result Eviews 9 (2022)
a) The minimum wage variable has a value of t-statistic 0.223191 < t-table 2.00172 or probability 0.8243 > α 0.05, the conclusion hypothesis is the assumption that accepting $H_0$ (reject $H_1$) means the minimum wage variable has no significant effect on labor absorption.

b) The analysis of the Gross Regional Domestic Product variable has a value of t-statistic in the amount of 2.400064 > t-table 2.00172 or probability 0.0200 < α 0.05, the conclusion hypothesis is assumption accept $H_2$ (reject $H_0$) means Gross Regional Domestic Product variable has a significant effect on labor absorption.

c) The Inflation variable has a value of t-statistic -0.330810 < t-table 2.00172 or probability 0.7421 > α 0.05, the conclusion hypothesis is assumption accept $H_0$ (reject $H_3$) means Inflation variable has not significant effect on labor absorption.

d) The Education Level variable has a value of t-statistic 3.018201 > t-table 2.00172 or probability 0.0039 < α 0.05, the conclusion hypothesis is the assumption that accepting $H_4$ (reject $H_0$) means the Education Level variable has a significant on labor absorption.

2. Simultaneous Test (F-Test)

Table 8

<table>
<thead>
<tr>
<th>SIMULTANEOUS TEST</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section fixed (dummy variables)</td>
<td></td>
</tr>
<tr>
<td>R-squared</td>
<td>0.998664</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.998407</td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>0.042804</td>
</tr>
<tr>
<td>Sum squared resid</td>
<td>0.095274</td>
</tr>
<tr>
<td>Log-likelihood</td>
<td>115.1722</td>
</tr>
<tr>
<td>F-statistic</td>
<td>3887.765</td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.000000</td>
</tr>
</tbody>
</table>

Sources: The Result Eviews 9 (2022)

The value of the F-statistic is 3887.765 meanwhile F-table α = 5% in the amount of 2.53. the value of F-statistic 3887.765 > F-table 2.53 or probability 0.000000 < α 0.05, the test shows that $H_0$ reject and $H_5$ accept,
it can be concluded that as the simultaneous test, the independent variable (Minimum Wage, Gross Regional Domestic Product, Inflation, and Education Level) has a significant effect on the dependent variable (labor absorption in East Java Province).

3. Coefficient Determination ($R^2$)

<table>
<thead>
<tr>
<th>R-squared</th>
<th>0.998664</th>
<th>Mean dependent var</th>
<th>12.78620</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted R-squared</td>
<td>0.998407</td>
<td>S.D. dependent var</td>
<td>1.072578</td>
</tr>
</tbody>
</table>

**Sources: The Result Eviews 9 (2022)**

The value of Adj R-Squared is 0.998664, which shows that the independent variable used in this research are Minimum Wage ($X_1$), Gross Regional Domestic Product ($X_2$), Inflation ($X_3$), and Education Level ($X_4$) can be concluded in the amount of 99.86% on the dependent variable is labor absorption ($Y$). Meanwhile, 0.14% can be concluded by another variable.

**The Impact of Minimum Wage on Labor Absorption**

The impact of the Minimum Wage on labor absorption has a probability value of the Minimum Wage in the amount of 0.8243 > 0.05 and the regression coefficient value of minimum wage in the amount of 0.009960 with t-statistic 0.223191 < t-table 2.00172 shows that in Minimum Wage variable has no significant effect on labor absorption.

This result is supported by Imam Buchari in his research (2016) in the journal. The research result that asserts Minimum Wage in Sumatera Island as the partial test has no significant effect on Labor Absorption. In his Research is said that the increase of Minimum Wage in Sumatera Island every year has little influence on the demanded workforce.

**The Impact of Gross Regional Domestic Product on Labor Absorption**

Gross Regional Domestic Product variable has the value of t-statistic in the amount of 2.400064 > t-table 2.00172 or probability 0.0200 < $\alpha$ 0.05, the conclusion hypothesis is assumption accept $H_2$, it means Gross Regional Domestic
Product variable has a significant effect on labor absorption in East Java Province 2011-2020.

This result is supported by Cyntia Tirta Lestari (2020) in her research asserts that Gross Regional Domestic Product has a significant effect on Labor Absorption. The study in her research said that if Gross Regional Domestic Product increase, it will increase labor absorption.

The Influence of Inflation on Labor Absorption

The inflation variable has a value of t-statistic -0.330810 < t-table 2.00172 or probability 0.742 > α 0.05, the conclusion hypothesis is assumption accept H0, it means Inflation variable has not significant on Labor Absorption in East Java 2011-2020.

This result is supported by Sodik Dwi Purnomo (2021) in his research result the study shows that inflation did not have a significant effect on employment. It is because of inflation from the money in circulation, so when the availability of money in circulation is in a stable line, it will have an impact on increasing purchasing power therefore the economic sectors will continue to increase production capacity and will have an impact on increasing employment opportunities.

The Impact of Education Level on Labor Absorption

The Education Level variable has a value of t-statistic 3.018201 > t-table 2.00172 or probability 0.0039 < α 0.05, the conclusion hypothesis is assumption accept H4 (reject H0) means the Education Level variable has a significant on labor absorption in East Java Province 2011-2020.

This result is supported by Novia Dani Pramusinto, and Akhmad Daerobi (2020) in their Journal the result of the study shows that education variables have a significant effect on labor absorption. which finds that education has a positive and significant effect on labor absorption. It means that if there is an increase in Education Level, labor absorption will also increase.

CONCLUSIONS

Based on the analysis in this research can be concluded that minimum wage, gross regional domestic product, inflation, and education level variables as the simultaneous test have a significant effect on the labor absorption variable and as a partial test the minimum wage has no significant effect on labor absorption, the
gross regional domestic product has a significant effect on labor absorption, the
inflation has not significant effect on the labor absorption, and the education level
variable has a significant effect on labor absorption. The value of the coefficient
determinator ($R^2$) in the amount of 0.998664, shows that the independent variable
used in this research are Minimum Wage ($X_1$), Gross Regional Domestic Product
($X_2$), Inflation ($X_3$), and Education Level ($X_4$) can be concluded in the amount of
99.86% on the dependent variable is labor absorption ($Y$). Meanwhile, 0.14% can
be concluded by another variable.

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