ANALYSIS IMPACT OF MINIMUM WAGE AND OPEN UNEMPLOYMENT TO POVERTY LEVEL IN INDONESIA

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Abstrak

Salah satu permasalahan yang marak di Indonesia adalah permasalahan mengenai kemiskinan. Banyak faktor yang menjadi penyebab timbulnya kemiskinan seperti upah minimum yang tidak memenuhi kebutuhan hidup, lapangan pekerjaan yang tidak merata serta peningkatan inflasi. Dalam penelitian kali ini, kami membahas bagaimana faktor-faktor tersebut mempengaruhi tingkat kemiskinan di Indonesia menggunakan metode studi pustaka.

Kata kunci : Kesejahteraan, Masyarakat, Pengaruh, Upah Minimum

Abstract

One of the problems that are rife in Indonesia is the problem of poverty. Many factors cause poverty, such as minimum wages that do not meet the necessities of life, unequal employment opportunities and increased inflation. In this research, we discuss how these factors influence the level of poverty in Indonesia using the literature study method.

Keywords: Influence, Iinimum Wage, Society, Welfare

INTRODUCTION

Economic growth and poverty are the most critical indicators to see the success of a country's development. Each country will strive to achieve optimal economic growth and reduce poverty. In many countries, economic growth is the primary condition for creating poverty reduction. However, in conditions in developing countries, including Indonesia, the economic growth was also accompanied by the emergence of problems with the increasing number of people living below the poverty line (Jonaidi, 2012). Poverty is a significant problem for many countries worldwide, especially in developing countries. Poverty is a condition in which a person cannot meet basic needs such as food, clothing, medicine and shelter (Hardinandar, 2019). One measure of social and economic conditions in assessing the success of government development in an area is the presence of poverty itself (Oktaviana et al., 2021).

Poverty is a problem faced by all countries, especially in developing countries like Indonesia. This is because poverty is multidimensional, meaning that because human needs vary, poverty also has many primary aspects in the form of poor assets, socio-political organization, knowledge and skills, as well as secondary aspects in the form of poor social networks, resources, finance and information. According to Isdjoyo (2010), several factors cause poverty, namely:

1. Helplessness
2. Isolation
3. Material poverty
4. vulnerability
5. Attitude

Poverty is caused by several factors, including inadequate minimum wages, poor people's living standards, and an increase in the unemployment rate every year without additional job opportunities (Larasati Prayoga et al.,2021). Minimum wage increases

worker welfare and thereby reduces poverty (Todaro & Stephen C,2014). The people's standard of living is illustrated through the increasing quality of knowledge, skills and talents, economic growth, social welfare will be realized through various social and economic development in overcoming the problem of poverty (Pangiuk,2018). The limited number of available jobs is the leading cause of unemployment and directly impacts high poverty (O'Campo et al., 2015). Sumarsono (2003) in Prastyo (2010) says that the minimum wage policy also affects poverty. The idea of a minimum wage that started and developed in the early 1970s aims to ensure that, in the long run, the minimum wage amount can at least meet minimum living needs. (KHM), so that it is expected to guarantee the workforce meets the needs of life and their families and can simultaneously encourage increased work productivity and welfare.

Minimum wage increases can have an impact on poverty levels. As in the competitive model approach, it is explained that an increase in the minimum wage that always occurs every year and an increase that is above this equilibrium level can harm poverty, where an increase in the minimum wage will encourage an increase in labour supply and a reduction in employment, an increase in supply. Labour that is not matched by absorption of this workforce will lead to an excess supply of labour, and this will increase the unemployment rate, which in turn can exacerbate poverty conditions. Meanwhile, based on the dual-sector model, the increase in the minimum wage also has an impact on workers in the informal sector. The excess supply of labour in the formal sector as a result of this increase in the minimum wage will be absorbed by the informal sector, so the movement of workers from the formal sector to the informal sector will cause a decrease in the wage rate in the informal sector. In the informal sector, many workers are categorized as poor, so a decrease in the wage rate in the informal sector in response to an increase in the formal sector can increase the number of people living below the poverty line.

The minimum wage is a monthly (lowest) receipt as compensation from the employer to the employee for a job for services that have been or will be performed and is stated or valued in money determined based on an agreement or statutory regulation and is paid based on a work agreement between employers and employees including benefits, both for the employees themselves and for their families. The efficiency-wage theory states that higher wages make workers more productive. The second efficiency-wage theory states that high wages reduce labour turnover. The third efficiency wage theory says that the average quality of a company's workforce depends on the wages it pays its employees. The fourth efficiency-wage theory states that high wages increase worker effort. Although these four efficiency wage theories differ in detail, they address the same topic because firms operate more efficiently if they pay their workers high wages. Firms can perceive that it is profitable to maintain wages above a level that balances supply and demand. As stipulated in PP no. 8/1981, minimum wages can be set regionally, regionally or sub-sectorally, but currently, only regional minimum wages are owned by each region. The minimum wage consists of a primary wage and fixed allowances, but in government regulations, it is regulated that only the basic wage does not include benefits. This causes frequent controversies between employers and workers. Fixed allowances are benefits that employers provide to their workers on a regular basis and regardless of the level of attendance of the worker or the output produced, such things as fixed family allowances and seniority-based benefits (Pratomo & Saputra, 2011).

Unemployed are those who do not have a job and are actively looking for work. The poor, in general, face problems of limited job opportunities, limited opportunities, weak protection of business assets, weak protection of business assets, wage differentials, and weak job protection, especially for child workers and women workers such as female

migrant workers and domestic workers. Therefore, one of the primary mechanisms for reducing poverty and unequal income distribution in developing countries is providing adequate wages and employment opportunities for poor groups of people. According to Sukirno (1997) in Cholili (2014), the harmful effect of unemployment is to reduce people's income, reducing the level of prosperity that a person achieves. The decline in people's welfare due to unemployment will undoubtedly increase their chances of being trapped in poverty without income. If unemployment in a country is terrible, Political and social unrest always prevails and has a disastrous effect on people's well-being and long-term prospects for economic development. Unemployment can occur due to the termination of employment by companies to their workers, which causes these workers to have no income and are vulnerable to living below the poverty line.

RESEARCH METHODS

This research is included in the type of qualitative descriptive research. Qualitative research is closely related to an interpretation that adapts phenomena or events that occur and uses more analysis in conducting research. Meanwhile, descriptive research can be interpreted as a situation that describes an event (description) that is related and focuses on problems that appeared during the study. The object under discussion is an analysis of the impact of the Minimum Wage, Unemployment and Inflation on the Poverty Level in Indonesia". Data collection techniques are carried out by selecting literature studies or literature studies. Literature study is part of data collection techniques that focuses on tracing historical data or records of a phenomenon that has occurred and can be in the form of writing, illustrations (photos), articles, and the preparation of works that are related to the problem in the study—further processed and analyzed.

Data collection in this study can be presented by searching literature such as Academic journals, essays or articles, news, related regulations and policies impact of the Minimum Wage, Unemployment and Inflation on the Poverty Level in Indonesia. In this study, the existing data was analyzed based on the issues and issues studied. Then the data set was compared for phenomena that were closely related to the content of the analysis (Basri, 1998):

1. Data Collection
   The data comes from library research and is sorted into several parts according to the problem.
2. Categorization
   Classify the results of the selected selection precisely, especially matters that discuss this research.
3. Legitimacy Analysis
   The data were classified and categorized, then matched the similarities and differences to find correlations with each other.
4. Presentation of Analysis Results and Drawing Conclusions
   Data validity is an important part that needs to be done. Data validity can be taken as an indication of research data that can be verified, and there are several types, namely, Credibility or trustworthiness, reliability, objectivity, and accuracy of the research results concerned (Moleong, 2006, p. 334). Validity techniques (data validity) are often found in various research methodology book sources, one of which is used here, the persistence of observation and triangulation of sources data. Observational consistency means that investigations are carried out repeatedly on the process of data analysis and interpretation of actual data results, while observational consistency is validtThe goal is to find, search for, and then collect each element in various phenomena being occupied with forming a complete and specific whole.Data sources can be triangulated when using different types

of data based on other references to look for evidence or similar information according to the questions asked.

RESEARCH RESULT

Based on the study results, UMP has a negative and significant effect on poverty. According to Boediono's theory (2014), raising the minimum wage is a mechanism to increase population income in terms of worker welfare, and in the end, the minimum wage can reduce poverty. The results of this study support research conducted by Utami & Masjkuri (2018) concerning the effect of the UMP on poverty which has a negative and significant effect. Another study by Sholihin & Wiwoho (2020) also found that it negatively and significantly affects poverty. Thus, increasing the UMP in East Java provides workers opportunities to increase their living needs or at least meet their minimum standard of living, which also impacts workers' welfare.

Based on the results of the study, that unemployment has a positive and significant influence on poverty. Conversely, if the number of unemployed is low, then poverty is low. In line with the theory of Sukirno (2011) that the negative effect of unemployment is reducing people's income, and in the end, there is a decrease in people's welfare which may fall into the poverty trap. A large number of unemployed in East Java is caused by the growth of the workforce with unequal employment opportunities, limited job opportunities affected by economic growth and the Covid-19 pandemic, a poor workforce, gaps in labour supply with inadequate workforce needs, and motivation entrepreneurship to create new jobs is still low (East Java Manpower and Transmigration Agency, 2021). The results of this study support research conducted by Bintang & Woyanti (2018) regarding the effect of unemployment on poverty which has a positive and significant effect. Another study by Ariasih & Yuliarmi (2021) also found that it positively and significantly affected poverty. Thus the unemployed certainly do not have income from work which will ultimately reduce the wealth to meet their needs. When their basic needs are not met, they are classified as poor. Thus the unemployed certainly do not have income from work which will ultimately reduce the wealth to meet their needs. When their basic needs are not met, they are classified as poor. Thus the unemployed certainly do not have income from work which will ultimately reduce the wealth to meet their needs. When their basic needs are not met, they are classified as poor.

CONCLUSION

Economic growth affects the poverty level, so in the future economic development will be carried out, which not only increases economic growth but is devoted to equity so that the poverty rate in the regions can gradually be reduced. Economic growth will be higher by carrying out equitable economic development. The government and society must optimize the potential of each region. The determination of the minimum wage must still be enforced, and the wage rate should be increased following decent living needs (KHL) to protect workers. It is hoped that the current minimum wage in an area can protect its workers from poverty. Because with a minimum wage, a worker receives a wage that follows the standard of decent living needs and can avoid the poverty line. To reduce the unemployment rate, the government and related parties are expected to make various efforts, including business establishment permits so that later they can absorb labour and expand employment opportunities so that many workers are absorbed. Providing job training to the community so that later the community can compete in the world of work, increasing entrepreneurship provided with special training and increasing the level of education so that the skills possessed by workers can increase. To reduce the

unemployment rate, the government and related parties are expected to make various efforts, including business establishment permits, so that later they can absorb labour and expand employment opportunities so that many workers are absorbed. Providing job training to the community so that later the community can compete in the world of work, increasing entrepreneurship provided with special training and increasing the level of education so that the skills possessed by workers can increase. To reduce the unemployment rate, the government and related parties are expected to make various efforts, including business establishment permits, so that later they can absorb labour and expand employment opportunities so that many workers are absorbed. Providing job training to the community so that later the community can compete in the world of work, increasing entrepreneurship provided with special training and increasing the level of education so that the skills possessed by workers can increase.

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