



# Journal of Social and Political Sciences

**Balahmar, A. R. U. (2024). Regency Minimum Wage Increase Policy and Investment Growth in Sidoarjo Regency. *Journal of Social and Political Sciences*, 7(4), 223-235.**

ISSN 2615-3718

DOI: 10.31014/aior.1991.07.04.539

The online version of this article can be found at:

<https://www.asianinstituteofresearch.org/>

Published by:  
The Asian Institute of Research

The *Journal of Social and Political Sciences* is an Open Access publication. It may be read, copied, and distributed free of charge according to the conditions of the Creative Commons Attribution 4.0 International license.

The Asian Institute of Research *Social and Political Sciences* is a peer-reviewed International Journal. The journal covers scholarly articles in the fields of Social and Political Sciences, which include, but are not limited to, Anthropology, Government Studies, Political Sciences, Sociology, International Relations, Public Administration, History, Philosophy, Arts, Education, Linguistics, and Cultural Studies. As the journal is Open Access, it ensures high visibility and the increase of citations for all research articles published. The *Journal of Social and Political Sciences* aims to facilitate scholarly work on recent theoretical and practical aspects of Social and Political Sciences.



ASIAN INSTITUTE OF RESEARCH  
Connecting Scholars Worldwide

# Regency Minimum Wage Increase Policy and Investment Growth in Sidoarjo Regency

Ahmad Riyadh Umar Balahmar<sup>1</sup>

<sup>1</sup> Universitas Muhammadiyah Sidoarjo

## Abstract

Government policies related to the increase in minimum wages have been regulated in Law Number 11 of 2020 concerning Job Creation and Government Regulation Number 36 of 2021 concerning Wages. This study aims to explain the extent of the influence of the increase in the regency minimum wage, the number of workers, the number of business units, and the value of production on the value of investment in Sidoarjo Regency. This explanatory quantitative research uses saturated samples. The primary data of this study were obtained from four Regional Apparatus Organizations of Sidoarjo Regency, namely: Investment and One-Stop Integrated Service Office; Industry and Trade Office; Manpower Office, and the Central Bureau of Statistics. The primary data were the value of the regency minimum wage, the number of workers, the number of business units, the value of production, and the value of investment from 2008-2022. The collected data were analyzed using multiple linear regression analysis. The value of the regency minimum wage, the number of workers, the number of business units, and the value of production together affect the increase in investment in Sidoarjo Regency with an R coefficient of 93.3%. The most influential factor in increasing investment in Sidoarjo Regency is the value of the regency minimum wage and the number of workers. This research shows that there is a difference with previous studies that the increase in investment occurs due to an increase in the regency minimum wage and the number of qualified workers.

**Keywords:** Regency Minimum Wage Policy, Production Value, Labor Force, Investment Value

## 1. Introduction

Wages are the rights of workers or laborers received and stated in the form of money including allowances for workers and families as compensation from employers that are determined and permitted based on work agreements, agreements, or regulations (Labor Law No.13 of 2003, 2003). The reality in the field regarding workers' wages in Indonesia still discusses many problems because of the conflicting interests between workers and employers (Damanik & Zalukhu, 2021). The struggle of workers to get a decent living is still ongoing almost every year (Rahma et al., 2022). This demand is not without reason, the rising price of basic necessities is the main trigger for the demand for wage increases (Lestari, 2022; Mahendra, 2017).

Disputes that arise between workers and employers are caused by salaries/wages given by the company not being in accordance with the Provincial Minimum Wage (UMP), Regency/City Minimum Wage (UMK), and Sectoral Minimum Wage (UMS) policies (Santoso & Djastuti, 2011). The workforce considers that the wages received are

not balanced with the work done. This makes the workforce go on strike because there is no harmony of will between the workforce and the employer (Sugiyanto, 2021). The demand for an increase in the minimum wage is actually a dilemma for companies. If workers ask for higher wages, employers will inevitably increase the price of products, both goods and services. This affects trade competition in a free market. Trade competition certainly pays attention to the value of goods and their quality according to the cheapest price.

Investors will choose a country where they invest with a low minimum wage rather than a high minimum wage. An example is the regency minimum wage in Laos and Indonesia. Laos is a country with a lower minimum wage than Indonesia. Because the regency minimum wage in Laos is lower than in Indonesia, investors will prefer Laos as their investment location, because they will take into account the costs incurred for the production process. If workers continue to demonstrate en masse for an increase in the minimum wage and the government sets it from afar higher than the standard, investors will certainly be reluctant to invest in Indonesia and choose to invest in other countries. If the minimum wage applied by the Indonesian government does not take into account the company's ability, many companies will go bankrupt because they are unable to pay the minimum wage for workers. The possible impact is that many companies will go bankrupt or go bankrupt and workers or laborers will be laid off (M. B. K. Dewi, 2019). This condition certainly cannot be used as an excuse for companies to unilaterally terminate employment (PHK) which is detrimental to workers. Several studies have shown that the increase in regency/city minimum wages is directly proportional to the increase in investment in a region (Frederica & Juwita, 2014). Likewise, the number of workers (Hartono et al., 2018), the number of business units and production value (Julianto & Suparno, 2016) contribute to increasing investment in regency/city.

The government policy regarding the increase in the Minimum Wage has been regulated in Law Number 11 of 2020 concerning Job Creation and Government Regulation Number 36 of 2021 concerning Wages. The wage policy in Sidoarjo Regency is regulated in Regional Regulation Number 16 of 2012 concerning Protection of Workers/Laborers in the Sidoarjo Regency Area. The implementation of the labor wage policy so far has still been detrimental to workers (Ahmaddien & Sa'dia, 2020; Iswaningsih et al., 2021; Kartikasari & Fauzi, 2021; Nasihuddin et al., 2013; Yanti & Cahyani, 2020; Zabarullah, 2021). Among them, several companies do not provide definite regulations regarding overtime pay, do not provide pay slips and do not explain the calculation of overtime wages received, and do not provide rest time or food and drink supplies during overtime. In addition to formulating policies, the government must pay attention to good investment climate conditions, maintaining economic stability, and strategies to achieve high economic growth and investment. This is intended so that neither workers nor companies are disadvantaged.

Sidoarjo is a regency whose economy is mostly engaged in the industrial sector. The number of large and medium industries in Sidoarjo Regency in 2021 was 1.106 (Statistik, 2021). Geographically, Sidoarjo is a strategic regency and is located close to Surabaya as the capital of East Java which can be beneficial for industrial growth. This condition can be utilized by the Sidoarjo regional government to attract and mobilize a number of investors to invest, because improving the investment climate is one of the milestones of the development strategy. Investment in Sidoarjo Regency has always increased by more than 5% each year (Badan Pusat Statistik, 2020). In 2020, investment increased by less than 2% and did not increase in 2021. Investment conditions in Sidoarjo Regency have decreased due to the Covid-19 pandemic. This has led to the phenomenon of large-scale Termination of Employment (PHK) in Sidoarjo Regency. At least 7.232 employees of companies (factories) in Sidoarjo were laid off or experienced Termination of Employment (PHK). Based on data from the Manpower Office (Disnaker) of the Sidoarjo Regency Government, there are 16 companies that have carried out Termination of Employment (PHK) and laid off thousands of their employees (Momentum, 2020). This mass layoff triggered a demonstration movement, around 450 workers who are members of the Indonesian Muslim Labor Union (Sarbumusi) of Sidoarjo Regency held a demonstration in front of the Grahadi State Building (Dwi, 2022).

The decline in investment in Sidoarjo Regency was further exacerbated by the relocation of eleven companies from Sidoarjo at the end of 2020. Most of these companies are labor-intensive companies. The biggest reason for the relocation of several companies from Sidoarjo Regency was the high regency minimum wage (UMK) (Supriyatno, 2020). This condition continued until 2021. There were nineteen companies that expanded to other areas, while in Sidoarjo Regency only their offices remained. In the same year, there were 94 medium to small

companies that moved. The reason was also mostly due to the high minimum wage (UMK) of Sidoarjo Regency (Ramadan, 2021).

Based on the review above, this study aims to explain the extent to which the increase in the regency minimum wage, the number of workers, the number of business units, and production value affect the investment value in Sidoarjo Regency. This study is important to discuss because the regency minimum wage is always an interesting topic every year. The regency minimum wage is the reason why labor groups always hold demonstrations every year and is often used as political promises in campaigns. The regency minimum wage problem is a labor dynamic in every region as is the case in Sidoarjo Regency. There are differences in employee salary systems in Sidoarjo Regency between one company and another even though they have been regulated in the Job Creation Law and its derivatives related to the regency minimum wage. The company unilaterally laid off workers who held demonstrations demanding an increase in the regency minimum wage. This shows that workers are considered as if they do not need protection.

The hypothesis of this study is first, there is an influence of the regency/city minimum wage on the investment value in Sidoarjo Regency. Second, there is an influence of the number of workers on the investment value in Sidoarjo Regency. Third, there is an influence of the number of business units on the investment value of Sidoarjo Regency. Fourth, there is an influence of production value on the investment value of Sidoarjo Regency. Fifth, there is an impact of the regency /city minimum wage, the number of workers, the number of business units, and production value together and partially on the investment value of Sidoarjo Regency.

## 2. Method

Research on Policy Analysis of Increase in Regency Minimum Wage (UMK) and Investment Growth in Sidoarjo Regency in 2022 is included in explanatory quantitative research. Explanatory quantitative research is a type of research that measures the influence or impact of increases in Regency Minimum Wage (UMK), Labor, Business Units, and Production on investment growth. The primary data of this study is in the form of time series data (sequential) from 2013-2021. Data was obtained from four Regional Apparatus Organizations (OPD) in Sidoarjo Regency, namely the Investment and One-Stop Integrated Service Office; Industry and Trade Office; Manpower Office, and the Central Statistics Agency of Sidoarjo Regency. The primary data is related to the variables used in this study, namely the Regency Minimum Wage (X1), Labor (X2), Business Units (X3), and Production (X4) as independent variables or free variables. The dependent variable of this study is the investment value (Y).

The Regency Minimum Wage variable (X1) refers to the Regency/City wage standard from 2008-2022 based on the Decree of the Governor of East Java concerning the Regency/City Minimum Wage. The Labor variable (X2) is seen from the number of workers in 2010-2021 obtained through data from Central Statistics Agency of Sidoarjo Regency and the Industry and Trade Service. Business Unit (X3) is seen from the development of business units in Sidoarjo Regency from year to year since 2010-2021. The data was obtained from the Industry and Trade Service. Production Value (X4) is seen from the development of production value in Sidoarjo Regency from year to year since 2010-2021. The data was obtained from the Industry and Trade Service. The dependent variable of this study is investment value (Y). Investment value is seen from the development of investment value in Sidoarjo Regency from year to year since 2010-2021. The data was obtained from the Industry and Trade Service. Data normality test using Kolmogorov-Smirnov Z shows normal data distribution.

Table 1: Data normality test

Model	Asymp. Sig. Value (2-tailed)	Significance Level	Information
Regency Minimum Wage	0.032	< 0.05	Abnormal
Investment Value	0.737	>0.05	Normal
Business Unit	1,000	>0.05	Normal
Labor	0.885	>0.05	Normal
Production Value	0.070	>0.05	Normal

Source: Processed Results, 2023

Table 1 shows the results of the regency minimum wage data normality test with a significance value of  $\alpha 0.032 < 0.05$ , which means it is not normally distributed. The investment value has a significance value of  $\alpha 0.737 > 0.05$ , which means the data is normally distributed. The significance value of  $\alpha$  for the business unit variable is  $1,000 > 0.05$ , indicating normal data. The labor variable is also normally distributed with a significance value of  $\alpha 0.885 > 0.05$ . The production value is normally distributed with a significance value of  $\alpha 0.070 > 0.05$ . Although Table 1 contains variables that are not normal, regression tests on all of these variables can still be carried out. The results of the multiple regression analysis test on data normality also show a normal data distribution. This is indicated by a plot that is evenly spread from left to right and from bottom to top. Based on the results of the autocorrelation test of 1,666. This value is included in the category of no autocorrelation (Table 3).

There are two types of data analysis in this study, namely univariate and multivariate with the help of SPSS (Statistical Package for The Social Sciences) version 25. Univariate analysis uses descriptive statistics, namely the presentation of numbers in the form of tables, graphs, or diagrams. Multivariate analysis of this study uses multiple linear regression. In simple terms, the multiple regression equation model is illustrated as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4$$

Where: Y = dependent variable (investment value)

$\alpha$  = Constant

$\beta$  = Regression coefficient

X1 = each regency minimum wage value

X2 = number of workers

X3 = number of business units

X4 = production value

### 3. Results

The high level of economic growth is indicated by the high value of GRDP. A high GRDP value indicates that the activity of producing goods and services in a region is high. This will affect the absorption of labor that carries out production activities. The following is the GRDP data for Sidoarjo Regency at Current Prices for 2012-2021.

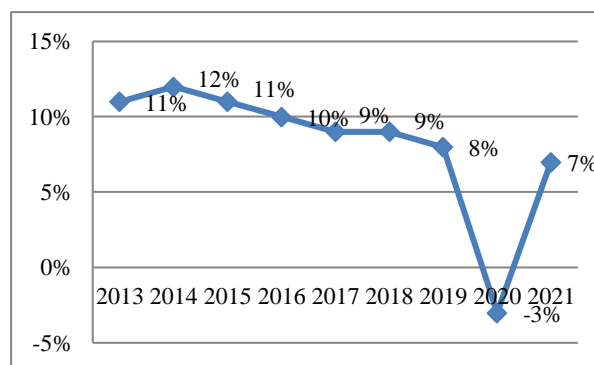


Figure 1: Growth of Gross Regional Domestic Product Based on Current Prices of Sidoarjo Regency 2013-2021

Source: Central Statistics Agency of Sidoarjo Regency, 2023 (processed)

Figure 1 shows that the Gross Regional Domestic Product at Current Prices of Sidoarjo Regency in the period 2013 to 2021 tended to decline. The highest growth occurred in 2014, which was 12%; and the lowest growth was in 2020 at -3%. The sharp decline that occurred in 2020 was the result of the Covid-19 pandemic which paralyzed economic activities. In addition to the ADHB GRDP, economic growth can also be viewed from the Gross Regional Domestic Product at Constant Prices (GRDP ADHK). The following is the GRDP data for Sidoarjo Regency at Constant Prices for 2012-2021.

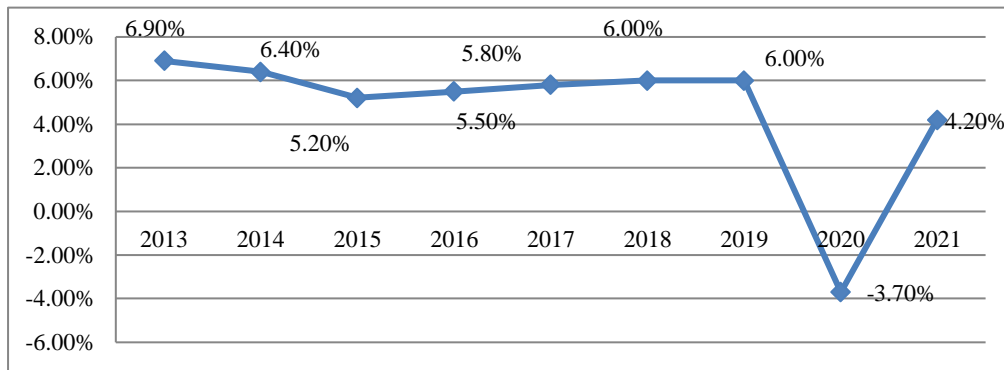


Figure 2: Growth of Gross Regional Domestic Product at Constant Prices of Sidoarjo Regency 2013-2021

Source: Central Statistics Agency of Sidoarjo Regency, 2023 (processed)

Figure 2 shows that the Gross Regional Domestic Product at Constant Prices of Sidoarjo Regency in the period 2013 to 2021 tends to increase. The highest growth in the Gross Regional Domestic Product at Constant Prices 2010 (GRDP ADHK 2010) of Sidoarjo Regency occurred in 2013, which was 6.9%; and the lowest growth was in 2020 with a value of -3.7%. This is inseparable from the impact of the Covid-19 Pandemic on the economy. Economic growth can be influenced by the minimum wage in force in a regency/city area. The following is data on the Regency/City Minimum Wage (UMK) of Sidoarjo Regency.

Table 2: Regency/City Minimum Wage (UMK) in Sidoarjo Regency 2009-2022

Year	Regency Minimum Wage Value (Rupiah)	Growth
2008	743.500	-
2009	955.000	28%
2010	1.005.000	5%
2011	1.107.000	10%
2012	1.252.000	13%
2013	1.720.000	37%
2014	2.190.000	27%
2015	2.705.000	24%
2016	3.040.000	12%
2017	3.290.800	8%
2018	3.577.428,68	9%
2019	3.864.686,20	8%
2020	4.193.581,85	9%
2021	4.293.581,85	2%
2022	4.368.581,85	2%

Source: Decree of the Governor of East Java 2007-2021 (processed)

Table 2 shows that the highest regency minimum wage growth occurred in 2013 at 37 percent (IDR 448.000) from the previous IDR 1.252.000 to IDR 1.720.000. The lowest growth occurred in 2021 and 2022 with a value of 2%. This condition is the result of the Covid-19 pandemic which has had an impact on various business sectors. The following is data on the growth in the number of business units in Sidoarjo Regency from 2011-2021.

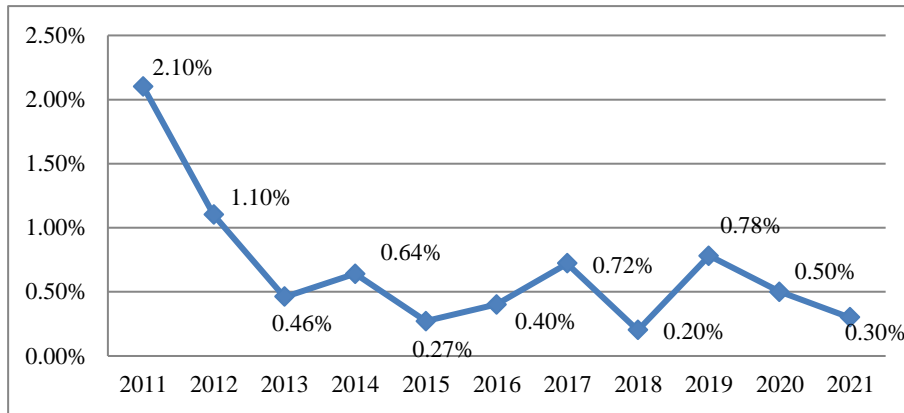


Figure 3: Growth in the Number of Business Units in Sidoarjo Regency 2011-2021  
 Source: Department of Industry and Trade, 2023 (processed)

Figure 3 shows that the highest growth in the number of business units in Sidoarjo Regency occurred in 2011, which was 2.1%; and the lowest growth was in 2018 with a value of 0.2%. Industrial growth can also be seen from the number of workers. The following is the workforce data for Sidoarjo Regency for 2010-2021.

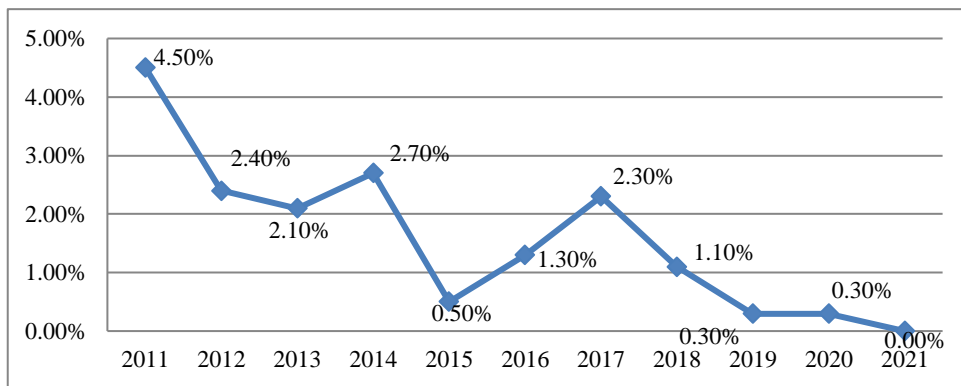


Figure 4: Growth in the Number of Workers in Sidoarjo Regency 2011-2021  
 Source: Department of Industry and Trade, 2023 (processed)

Figure 4 shows that the number of workers in Sidoarjo Regency in 2011-2021 tends to fluctuate. The highest growth occurred in 2011, which was 4.5%; and the lowest growth was in 2021 with a value of 0%. Industrial growth can also be seen from the industrial value. The following is data on the production value of Sidoarjo Regency 2010-2021.

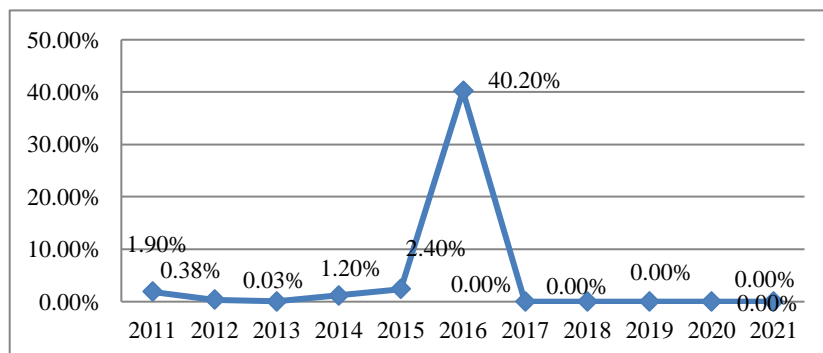


Figure 5: Growth in Production Value of Sidoarjo Regency 2011-2021  
 Source: Department of Industry and Trade, 2023 (processed)

Based on Figure 5, it can be seen that the highest growth in the production value of small, medium, and large industries in Sidoarjo Regency occurred in 2016, which was 40.2%; and the lowest growth occurred from 2013 with a value of 0.03%. From 2017 to 2021, the production value did not experience growth. Industrial growth can also be seen from the investment value. The investment value data for Sidoarjo Regency can be shown in the following figure.

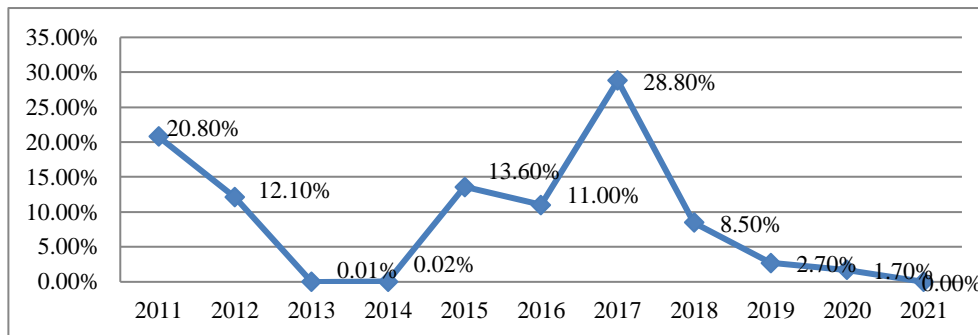


Figure 6: Investment Value Growth in Sidoarjo Regency 2011-2021

Source: Department of Industry and Trade, 2023 (processed)

Figure 6 shows that the highest growth in the investment value of small, medium, and large industries in Sidoarjo Regency occurred in 2017, which was 28.8%; and the lowest growth was in 2013 with a value of 0.01%. In 2021, the investment value did not experience growth. This is inseparable from the Covid-19 pandemic which has had an impact on various economic activities.

#### 4. Discussion

The hypotheses in this study include: there is an impact of the regency/city minimum wage on investment value in Sidoarjo Regency (H1); there is an impact of the number of workers on investment value in Sidoarjo Regency (H2); there is an impact of the number of business units on investment value in Sidoarjo Regency (H3); there is an impact of production value on investment value in Sidoarjo Regency (H4); there is an impact of the regency/city minimum wage, number of workers, number of business units, and production value (H5) together and partially on investment value in Sidoarjo Regency.

To measure whether the hypothesis is accepted or not, the criteria used are as follows:

1. H0: if the probability of the calculated result  $> (0.05)$  then H0 is accepted. This means that the working hypothesis is rejected.
2. H1-H5: if the probability of the calculated result  $< (0.05)$ , then H0 is rejected. This means that the working hypothesis is accepted.

Table 3 shows that regency minimum wage has an effect on investment value with a significance of t count of 0.006 smaller than the significance of  $\alpha (0.05)$ . This means that the working hypothesis stating that regency minimum Wage has an effect on investment value can be accepted. Hypothesis 2 states that the number of workers having an effect on investment value can be accepted with a significance of t count of 0.000 smaller than the significance of  $\alpha (0.05)$ . Hypothesis 3 states that the number of business units has an effect on investment value cannot be accepted. This is because the significance level of t count of 0.866 is greater than the significance of  $\alpha (0.05)$ . Because the number of business units does not affect investment value, it is removed from model 3 using the backward method. Hypothesis 4 states that the production value has an effect on investment value cannot be accepted. This is because the significance level of t count of 0.328 is greater than the significance of  $\alpha (0.05)$ . Because the production value does not affect investment value, it is removed from model 3 using the backward method.



Table 3: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3.702E12	8.1336E 1		-4.441	.002
2	Regency Minimum Wage	882.515	244.223	.403	3.614	.006
3	Number of workers	3.085E7	5345135.343	.643	5.771	.000
4	Number of business units	-1.035E8	5.904E8	-.090	-.175	.866
5	Production value	431.505	410.832	.182	1.050	.328
Description						
N: 17217 R: 0.972 R-Square: 0.945 Adjusted R Square: 0.933						
F: 77.197 Df: 11 Sig F: 0.000 Sig $\alpha$ : 0.05						
Autocorrelation test: $1.55 < 1.666 < 2.46$						
Y: $3.702 + 882.515 \text{ Regency Minimum Wage (X1)} + 30.850.000 \text{ Number of workers (X2)}$						
a. Dependent Variable: <u>investation_value</u>						

Source: Processed results, 2023

Based on Table 2 multiple linear regression can be explained below:

$$Y = a + b_1X_1 + b_2X_2$$

$$Y = -3.702 + 882.515 \text{ Regency Minimum Wage} + 30.850.000 \text{ Number of workers}$$

1. The constant of -3.702 states that if there is no Regency Minimum Wage (X1) and the number of workers (X2) then the investment value is IDR -3.702. This means that investment has decreased by IDR -3.702.
2. The value of the Regency Minimum Wage regression coefficient (X1) of IDR 882.515 means that if the Regency Minimum Wage value (X1) increases by one unit, it will increase the investment value (Y) by IDR 882.515 assuming the other variables are constant.
3. The regression coefficient value of the variable number of workers (X2) is Rp. 30.850.000, meaning that if the value of the variable number of workers (X2) increases by one unit, it will cause an increase in the investment value (Y) of Rp. 30.850.000, assuming the other variables are constant.

Hypothesis 5 states that the impact of regency/city minimum wages, number of workers, number of business units, and production value together affect the investment value can be accepted. This can be seen in Table 3 on the F Test showing that the calculated F result is 77.197 with a significance of 0.000 smaller than  $\alpha$  (0.05). Table 3 shows the coefficient of determination of the influence of regency minimum wage and the number of workers on the investment value. Based on Table 3, regency minimum wage and the number of workers on the investment value have an effect of 0.933 (Adjusted R Square). This means that the effect of regency minimum wage and the number of workers on the investment value is 93.3%. The remaining 6.7% is influenced by other variables outside the model used. The large value of Adjusted R Square 0.933 indicates a very strong degree of influence.

Table 4: Guidelines in the Degree of Interpretation of Correlation Coefficients

Value of Influence Power	
0,00-0,20	Very weak
0,21-0,40	Weak
0,41-0,70	Moderate
0,71-0,90	Strong
0,91-0,99	Very Strong
1	Perfect

Source: (Sugiyono, 2019)

The number of working age population in Sidoarjo Regency in August 2021 was recorded at 1.813.189 people. This number increased by 29.42 thousand when compared to the conditions in August 2022. Of the total working age population, 1.205.169 people were included in the workforce category and the rest were not in the workforce

category. This means that the number of people in the workforce category has increased by 0.58 percent. The increase in the number of the workforce in Sidoarjo Regency was not matched by an increase in the Labor Force Participation Rate (TPAK). The TPAK of Sidoarjo Regency in 2021 fell by 0.7 percentage points when compared to 2020. This makes the increase in the number of the workforce greater than the market's ability (read companies) to absorb the workforce in Sidoarjo Regency.

One of the reasons for the decline in the workforce absorbed is that many companies have laid off their employees or even some companies have stopped operating due to the impact of Covid-19. In addition to the impact of Covid-19, the decline in workforce absorption in Sidoarjo Regency is due to the inability of companies to provide appropriate standard wages to workers in Sidoarjo Regency. This is proven by the existence of 19 companies in 2021 that have expanded to other areas that have a lower regency/city minimum wage than the Sidoarjo Regency Minimum Wage (Supriyatno, 2020).

Several studies show that the presence of workers affects investment growth in regions or cities. The increase in workers followed by increased skills will benefit investors because it is profitable (Zainuddin, 2009). This is in line with research (Amalia & Nurhayati, 2022; R. F. Dewi et al., 2016; Menajang, 2019; Novriansyah, 2018) which states that every additional 1 worker will increase the investment value by IDR 30.850.000 per year. These results are in accordance with research stating that there is a correlation between minimum wages and labor absorption also presented in research (Indradewa & Natha, 2015; Lestiyasari, 2013; Syahputra, 2019; Wihastuti & Rahmatullah, 2018).

The Minimum Wage of Sidoarjo Regency has a high nominal value (top 10 among regions in Indonesia) (Kumpan.com, 2022). It is recorded that from 2008 to 2022, the regency minimum wage has increased every year (East Java Governor Regulation, 2007-2021). The highest increase occurred in 2013 by 37 percent compared to the minimum wage in the previous year (see Table 4.10 Regency/City Minimum Wages). Currently, the nominal minimum wage in Sidoarjo Regency has reached IDR 4.368.581,85 or an increase of 2 percent compared to 2021. Each increase in regency minimum wage can increase the investment value in a region. This is certainly in line with the results of the hypothesis test of this study which states that every increase of 1 rupiah can increase the investment value by IDR 882.515. The same thing was also found in research (Amalia & Nurhayati, 2022; Anggraini et al., 2020; Cubitt & Heap, 1999; Ernita et al., 2013; Frederica & Juwita, 2014; Geng et al., 2018; Groot et al., 2019; Jaya & Kholilah, 2020; Mentari & Yasa, 2016; R. E. Putra, 2012; Sely, 2019; Swanitarini, 2016; Syarif et al., 2015; Tegep et al., 2019; Yuliany & Nursini, 2022) that the increase in the regency minimum wage has an impact on increasing investment, so that every increase in the regency minimum wage, investment will also increase.

This is different from the studies conducted by (B. A. Putra, 2018) and (Anggrainy, 2012) which stated that the increase in the Minimum Wage had a negative impact on investment. Putra in his research in Lamongan Regency stated that the higher the regency minimum wage in Lamongan Regency, the lower the investment. The increase in the Minimum Wage in Lamongan caused the demand for money to increase which had an impact on increasing interest rates. Investment decreased because investors took interest rates into account. Investors will benefit if investment income is higher than interest costs. In addition, investors also take labor costs into account. If the minimum wage increases, the costs incurred will be higher. Meanwhile (Anggrainy, 2012) stated that the minimum wage is one of the production costs. If wages increase, it means that costs also increase. Low labor wages will increase investment because the company's production costs are low (Swara et al., 2013).

The difference in the results of this study with the two studies above is due to differences in regional conditions. This study took place in Sidoarjo Regency, which is known to have a large number of industries, amounting to 17.217 companies compared to Malang City (654) and Lamongan Regency (15.931). The economy of Malang City relies on the tourism sector and Lamongan Regency relies on maritime and fisheries.

The number of business units in Sidoarjo Regency also increases every year. Although the increase is not significant, the movement of changes in the number of business units in Sidoarjo Regency is in a stable condition.

This is evidenced by the number of large industries in Sidoarjo Regency which has not increased or decreased, which is 368 types of businesses.

Company growth only occurs in small and medium industrial businesses. The increase in the number of business units indicates that the population of working age has a great opportunity to get jobs. However, the increase in the number of business units is not balanced by an increase in production value in Sidoarjo Regency. Ideally, if the number of business units increases, the production value will also increase. From 2017 to 2021, it is known that there was no increase in production value in Sidoarjo Regency.

The lack of increasing production value can be a new problem. Considering that if the production value does not increase with the minimum wage value which increases every year, it will cause the company to expand more to other areas. Bankruptcy of medium and small industries cannot be avoided, causing the unemployment rate in Sidoarjo Regency to increase. If this condition continues to occur, people's welfare will decline, consumption power will decrease, and there will be no economic movement in Sidoarjo Regency which will reduce the attractiveness of investors. Therefore, to anticipate this incident, a strategy is needed that can be applied in the future. Prevention can be done by increasing investment in Sidoarjo Regency. Based on the results of calculations with 4 variables, namely the number of business units, the number of workers, production value and minimum wage, it is known that the number of workers and regency minimum wage have an influence on the investment value. The influence on investment can be assessed when the variables of the number of workers and minimum wage have a significance value that is smaller than 0.05 compared to the significance value of the indicator of the number of business units and production value greater than 0.05. The level of significance of regency minimum wage and the number of workers is smaller, then the influence can be accepted. While the variables of production value and number of business units cannot be accepted to influence the investment value. If based on the interpretation of the correlation coefficient, it can be seen that the influence of regency minimum wage and the number of workers on the investment value has a very strong influence, namely with a value of 93.3 percent and the remaining 6.7 percent is influenced by other variables.

The relationship between minimum wage, the number of workers and investment can affect the increase in production value. The increase in demand for capital goods will also increase the demand for the number of workers. The demand for the number of workers is what opens up the expansion of job opportunities in Sidoarjo Regency. The economic growth of Sidoarjo Regency is higher than that of East Java Province in the last five years, except during the Covid-19 pandemic. This shows that the minimum wage of Sidoarjo Regency meets the requirements for an increase. As Government Regulation Number 36 of 2021 explains, the minimum wage is set based on economic and employment conditions which include the balance of purchasing power, labor absorption rate, and median wages. Adjustments to the minimum wage value are made every year. The regency/city minimum wage (UMK) is set by the governor by fulfilling the requirement that the average economic growth of the regency/city over the last three years is higher than the average economic growth of the province. If the minimum wage calculation result is lower than the provincial minimum wage, it cannot be recommended to the governor. Law Number 25 of 2007 concerning Investment explains that investors are given equal treatment by the government, receive legal certainty and protection, ease of service and licensing, and the right to transfer and repatriate. This regulation also provides obligations and responsibilities to investors, namely prioritizing Indonesian citizens in meeting labor needs, conducting training in order to improve workforce competency, maintaining environmental sustainability, prioritizing worker welfare, safety and health.

Laws related to employment and investment at the central level are used as guidelines for local governments and companies in meeting labor needs. The current condition is that many companies do not pay attention to worker welfare. There are still many companies in Sidoarjo Regency that provide wages below the minimum wage provisions. Workers often do not get details of salaries and overtime. This shows that Law Number 11 of 2020 concerning Job Creation has not been fully implemented by employers. Article 88E Paragraph 2 of the Job Creation Law explains that employers are prohibited from paying wages lower than the minimum wage. Sidoarjo Regency Regional Regulation Number 16 of 2012 concerning Protection of Workers/Laborers explains that companies are required to provide wages with a minimum amount of the minimum wage to workers/laborers who have worked for less than one year. The wages of workers/laborers who have worked for one year or more must be above the

minimum wage provisions as stipulated in the company's wage structure and scale. Employers are required to provide a detailed list of wages to each worker along with the payment of wages. The position of workers becomes weak, companies give workers leave during the month of Ramadan, this is indicated so that companies do not have an obligation to provide Eid al-Fitr holiday allowances.

## 5. Conclusion

The conclusion of this study is, first, the value of the regency/city minimum wage (UMK), the number of workers, the number of business units, and the production value together influence the increase in investment in Sidoarjo Regency. The contribution of the regency/city minimum wage, the number of workers, the number of business units, and the production value to the increase in investment value in the regency/city is 93.3%. Second, the factors that have the most influence on the increase in investment in Sidoarjo Regency are the minimum wage value and the number of workers. Third, the contribution of the minimum wage value and the number of workers to the increase in investment value in Sidoarjo Regency is 40.3% and 64.3%, respectively. Theoretically, this study strengthens the Harrod-Domar theory which states that economic growth in a region is influenced by the amount of investment that comes in. The benchmark for increasing investment can be seen from the increase in minimum wage, the number of professional workers, production value, and the number of business units. The implication of this study is that the Sidoarjo Regency government needs to increase the minimum wage every year while still paying attention to the quality and productivity of the workforce. In order to support the increase in existing investment, the Sidoarjo Regency Government needs to expand employment opportunities and the number of workers. The Sidoarjo Government also needs to create regulations that benefit the business world, simplify the licensing bureaucracy in building new businesses, and take strict action against extortion. From the corporate side, entrepreneurs need to minimize the impact of the increase in minimum wages by viewing workers/laborers as human investments in production with wages as the medium. This is because wages are one of the factors that affect the welfare of workers/employees which can ultimately increase the productivity and performance of employees/laborers.

**Author Contributions:** All authors contributed to this research.

**Funding:** Not applicable.

**Conflicts of Interest:** The authors declare no conflict of interest.

**Informed Consent Statement/Ethics approval:** Not applicable.

**Acknowledgments:** The researcher would like to thank the Regional Apparatus Organizations (OPD) in Sidoarjo Regency, namely the Investment and One-Stop Integrated Service Office; Industry and Trade Office; Manpower Office, and the Central Statistics Agency of Sidoarjo Regency who have provided data and information so that this research can be carried out. We hope that the results of this study can provide a significant contribution to the development of the Public Administration Study Program, especially in improving students' ability to publish scientific articles in reputable national and international journals.

## References

- Ahmaddien, I., & Sa'dia, N. H. (2020). The Impact of Minimum Wage Policy on the Absorption of Female Labor in Indonesia. *Komitmen: Jurnal Ilmiah Manajemen*, 1(1), 22–32.
- Amalia, R. R., & Nurhayati, S. F. (2022). *Analysis of Factors Influencing Investment in East Java in 2020*. Universitas Muhammadiyah Surakarta.
- Anggraini, R., Prihanto, P. H., & Safri, M. (2020). The influence of minimum wages, economic growth and investment on labor absorption in the industrial sector in Jambi Province 2000-2018. *E-Jurnal Perspektif Ekonomi Dan Pembangunan Daerah*, 9(2), 77–90.

- Anggrainy, K. (2012). Analysis of the Impact of the Increase in the City Minimum Wage (UMK) on Employment Opportunities and Investment (Case Study in Malang City, 2001-2011 Period). *Jurnal Ilmiah Mahasiswa FEB*, 1(2).
- Badan Pusat Statistik. (2020). *Investment in Sidoarjo Regency*.
- Cubitt, R. P., & Heap, S. P. H. (1999). Minimum wage legislation, investment and human capital. *Scottish Journal of Political Economy*, 46(2), 135–157.
- Damanik, D. C., & Zalukhu, R. S. (2021). Analysis of Factors Influencing the Policy for Determining the Amount of the City Minimum Wage (UMK) in Pematangsiantar City. *Jurnal Ekuilnomi*, 3(1), 38–51.
- Dewi, M. B. K. (2019). Analysis of the Impact of Demand for Increased Minimum Wages on the Economy, Law and National Welfare. *Indonesian State Law Review (ISLRev)*, 2(1), 3017–3321.
- Dewi, R. F., Prihanto, P. H., & Edy, J. K. (2016). Analysis of labor absorption in the agricultural sector in West Tanjung Jabung Regency. *E-Jurnal Ekonomi Sumberdaya Dan Lingkungan*, 5(1), 19–25.
- Dwi, A. (2022). *Mass Layoffs, Hundreds of Workers from Sidoarjo Come to Grahadi*. Ngopibareng.Id.
- Ernita, D., Amar, S., & Syofyan, E. (2013). Analysis of economic growth, investment and consumption in Indonesia. *Jurnal Kajian Ekonomi*, 1(2).
- Frederica, F., & Juwita, R. (2014). *The Influence of Provincial Minimum Wages, Exports, and the Dollar Exchange Rate on Foreign Direct Investment in Indonesia for the Period 2007-2012*.
- Geng, H. G., Huang, Y., Lin, C., & Liu, S. (2018). *Minimum wage and corporate investment*. Working Paper, available at <https://dx.doi.org/10.2139/ssrn.3054453>.
- Groot, L., Muffels, R., & Verlaat, T. (2019). Welfare states' social investment strategies and the emergence of Dutch experiments on a minimum income guarantee. *Social Policy and Society*, 18(2), 277–287.
- Inradewa, I. G. A., & Natha, K. S. (2015). The influence of inflation, Gross Regional Domestic Product and Minimum Wages on labor absorption in Bali province. *E-Jurnal Ekonomi Pembangunan Universitas Udayana*, 4(8), 44563.
- Iswaningsih, M. L., Budiarta, I. N. P., & Ujianti, N. M. P. (2021). Legal Protection for Local Workers in Law Number 11 of 2020 concerning the Omnibus Law on Job Creation. *Jurnal Preferensi Hukum*, 2(3), 478–484.
- Jaya, T. J., & Kholilah, K. (2020). Effect of gross domestic regional bruto, provincial minimum wage, and investment on labor absorption. *Jurnal Ekonomi Bisnis Dan Kewirausahaan (JEBIK)*, 9(3), 236–249.
- Julianto, J., & Suparno, S. (2016). Analysis of the Influence of the Number of Large Industries and Minimum Wages on Economic Growth in the City of Surabaya. *Jurnal Ekonomi & Bisnis*, 2(1), 229–256.
- Kartikasari, H., & Fauzi, A. M. (2021). Public Rejection of the Ratification of the Omnibus Law on Job Creation from a Legal Sociology Perspective. *Doktrina: Journal of Law*, 4(1), 39–52.
- Kumparan.com. (2022). *The Order of the Highest District Minimum Wages in Indonesia 2022, Check the List*. <https://kumparan.com/berita-bisnis/urutan-umk-tertinggi-di-indonesia-2022-cek-daftarnya-1yJNGrr9EPG>
- Labor Law No.13 of 2003, Pub. L. No. 13 (2003).
- Lestari, S. T. (2022). Analysis of the Role of the Cooperatives and Trade Service in Maintaining Stability of Staple Food Prices. *JIKEM: Jurnal Ilmu Komputer, Ekonomi Dan Manajemen*, 2(1), 374–381.
- Lestyasari, D. (2013). Relationship between provincial minimum wages and the number of formal workers in East Java. *Jurnal Pendidikan Ekonomi (JUPE)*, 1(3).
- Mahendra, A. (2017). Analysis of the Influence of Economic Growth, Per Capita Income, Inflation and Unemployment on the Number of Poor People. *Jurnal Riset Akuntansi & Keuangan*, 113–138.
- Menajang, H. (2019). The Influence of Investment and Labor on Economic Growth in Manado City. *Jurnal Pembangunan Ekonomi Dan Keuangan Daerah*, 16(4).
- Mentari, N. W., & Yasa, I. N. M. (2016). The Influence of Economic Growth and Wage Levels on Unemployment Rates Through Investment Amounts in Bali Province. *E-Jurnal Ekonomi Pembangunan Universitas Udayana*, 5(7), 778–798.
- Momentum. (2020). *7.232 Factory Employees in Sidoarjo Laid Off Massively, Due to Corona Outbreak*. Momentum.Com.
- Nasihuddin, A. A., Andriyan, D. N., & Indriasari, D. C. (2013). Employer Policies That Cause Gender Injustice Against Female Workers at PT Didachi Tangerang. *Jurnal Dinamika Hukum*, 8(2), 85–92.
- Novriansyah, M. A. (2018). The impact of unemployment and poverty on economic growth in Gorontalo province. *Gorontalo Development Review*, 1(1), 59–73.
- Putra, B. A. (2018). Correlation Between Regional Minimum Wage (UMR) and Investment Increase in Lamongan Regency. *PRAJA LAMONGAN*, 1(1).
- Putra, R. E. (2012). The Influence of Investment Value, Wage Value, and Production Value on Labor Absorption in the Furniture Industry in Pedurungan District, Semarang City. *Economics Development Analysis Journal*, 1(2).
- Rahma, R. M., Fauzi, A. M., & Swarizona, S. (2022). East Java Workers' Awareness and Struggle in Rejecting Low Wages in the Pandemic Era. *Community: Pengawas Dinamika Sosial*, 8(1), 93–103.

- Ramadan, A. A. M. (2021). *Complete! Here is the List of 2022 East Java Regency Minimum Wages in 38 Regencies and Cities*. Suara Jarim. <https://jatim.suara.com/read/2021/12/01/111500/lengkap-ini-daftar-umk-2022-jawa-timur-di-38-kabupaten-dan-kota>
- Santoso, H., & Djastuti, I. (2011). *Worker Participation in Trade Unions*.
- Sely, M. D. (2019). The Influence of Wages, Economic Growth, Inflation and Interest Rates on Investment in Maluku Province. *Jurnal Cita Ekonomika*, 13(2), 143–154.
- Statistik, B. P. (2021). *Publication of Large and Medium Industry Profiles in Sidoarjo Regency*.
- Sugiyanto, D. W. (2021). *Normative Legal Review of the Right to Strike*. Universitas Sunan Bonang.
- Sugiyono. (2019). *Metode Penelitian Kuantitatif Kualitatif dan R&D* (2nd ed.). Alfabeta.
- Supriyatno, H. (2020). *Regency Minimum Wage Considered Quite High, 11 Companies Move from Sidoarjo*. Harian Bhirawa.
- Swanitarini, A. (2016). Analysis of Factors Affecting Foreign Direct Investment in Indonesia 2011-2014. *Jurnal Pendidikan Dan Ekonomi*, 5(5), 365–372.
- Swara, Y., Wayan, I., & Dewata, B. K. (2013). The effect of total exports, labor, and labor wages on foreign direct investment in Indonesia. *E-Jurnal Ekonomi Pembangunan Universitas Udayana*, 2(8), 44625.
- Syahputra, A. E. (2019). *The Influence of Minimum Wages and Number of Workforce on the Human Development Index in Banten Province*. UIN SMH BANTEN.
- Syarief, E., Situmeang, A., & Sugiyarto, S. (2015). Fulfillment of Workers' Wage Rights in Order to Support Investment in Batam City. *Journal of Judicial Review*, 17(2).
- Tegep, J., Suratman, E., & Indra, S. (2019). The failure of foreign direct investment to explain unemployment rate and the mediating role of economic growth and minimum wage. *International Journal of Economics and Financial Issues*, 9(2), 154.
- Wihastuti, L., & Rahmatullah, H. (2018). Provincial minimum wage (UMP) and labor absorption on Java Island. *Jurnal Gama Societa*, 1(1), 96–102.
- Yanti, A. A. I. E. K., & Cahyani, N. K. M. S. (2020). Implementation of Overtime Wages for Workers Based on Decree of the Minister of Manpower and Transmigration Number 102 of 2004. *Kerta Dyatmika*, 17(2), 56–65.
- Yuliany, N., & Nursini, M. (2022). The Impact of People's Business Credit Program, Minimum Wage, and Investment on Indonesian Poverty. *FWU Journal of Social Sciences*, 16(2), 125–141.
- Zabarullah, I. (2021). *Labor Politics (A Study of the 1992 Indonesian Prosperous Labor Union Movement Against Workers in Tasikmalaya City)*. Universitas Siliwangi.
- Zainuddin, M. (2009). Analysis of factors influencing foreign direct investment in Batam. *JEJAK*, 2(2).