JIET
Jurnal Ilmiah Ekonomi Terapan

JURNAL ILMU EKONOMI TERAPAN
https://e-journal.unair.ac.id/JIET/index

IMPACT ANALYSIS OF MINIMUM WAGES, INVESTMENTS AND INFLATION ON LABOR ABSORPTION IN THE MANUFACTURING INDUSTRY IN INDONESIA

Esa Fajar Rini[1]

Septriani Septriani [1]*

[1] Department of Economic Development, Bengkulu University, Bengkulu, Indonesia

ABSTRACT

The Purpose of this research is to analyze the influence of investment, minimum wages, and inflation on labor absorption in the manufacturing industry in Indonesia. The analytical tool used is multiple linear regression using time series data for the period 1991-2021, by using secondary data sourced from the Statistics Indonesia (BPS). Based on the results of the study, the results were obtained that partially, each variable minimum wages and investments have a significant positive impact on the absorption of labor in the manufacturing industry in Indonesia. The inflation variable has a significant negative impact on labor absorptions in processing industries in Indonesia. While simultaneously the minimum wage, investment, and inflation have an influence on the consumption of labor in the manufacturing industry. With R-squared at 0.92. Based on the results of this study, related to the problem of low contribution of the industrial sector in job absorption, it can be overcome by increasing investment and minimum wage in the industrial sector, as well as controlling inflation. This is important to predict the high unemployment rate and also increase Indonesia's economic growth. However, in implementing the minimum wage policy, the government must still consider the ability to pay from the industrial sector. Then, the government actively participates in making fiscal and monetary policies that can stimulate the growth of the investment climate in the industrial sector. In addition, the government must also always maintain price stability, because this has a significant impact on the sustainability of the industrial sector.

Keywords: *Labor Absorption; Manufacturing Industry; investment; Minimum Wage; Inflation*

ARTICLE INFO

Received: June 5th, 2024
Revised: October 13th, 2024
Accepted: November 8th, 2024
Online: June 29th, 2025

*Correspondence:
Septriani Septriani
E-mail:
septriani@unib.ac.id

ABSTRAK

Tujuan Penelitian ini adalah untuk untuk menganalisis pengaruh investasi, upah minimum dan inflasi terhadap penyerapan tenaga kerja di sektor industri pengolahan di Indonesia. Alat analisis yang digunakan adalah regresi linier berganda dengan menggunakan data time series selama periode 1991-2021. Dengan menggunakan data sekunder yang bersumber dari Badan Pusat Statistik (BPS). Berdasarkan hasil penelitian, diperoleh bahwa sebagian variabel upah minimum dan investasi memiliki dampak positif yang signifikan terhadap penyerapan tenaga kerja di industri manufaktur di Indonesia. Variabel inflasi tersebut memiliki dampak negatif yang signifikan terhadap penyerapan tenaga kerja pada industri pengolahan

Jurnal Ilmu Ekonomi Terapan; p-ISSN: 2541-1470; e-ISSN: 2528-1879
DOI: 10.20473/jiet.v10i1.58541

di Indonesia. Sementara secara bersamaan upah minimum, investasi, dan inflasi berpengaruh terhadap konsumsi tenaga kerja di industri manufaktur. Dengan R kuadrat pada 0,92. Berdasarkan hasil penelitian ini, terkait dengan masalah rendahnya kontribusi sektor industri dalam penyerapan lapangan kerja, dapat diatasi dengan meningkatkan investasi dan upah minimum di sektor industri, serta mengendalikan inflasi. Hal ini penting untuk memprediksi tingginya angka pengangguran dan juga meningkatkan pertumbuhan ekonomi Indonesia. Namun, dalam menerapkan kebijakan upah minimum, pemerintah harus tetap mempertimbangkan kemampuan membayar dari sektor industri.. Kemudian, pemerintah berpartisipasi aktif dalam membuat kebijakan fiskal dan moneter yang dapat merangsang pertumbuhan iklim investasi di sektor industri. Selain itu, pemerintah juga harus selalu menjaga stabilitas harga, karena hal ini berdampak signifikan terhadap keberlangsungan sektor industri.

Kata Kunci: *Penyerapan Tenaga Kerja; Sektor Industri Pengolahan; Investasi; Upah Minimum; Inflasi*
JEL: J20; J23; J38; L60

To cite this document: Rini, E. F., & Septriani. (2025). Impact Analysis of Minimum Wages, Investments and Inflation on Labor Absorption in the Manufacturing Industry in Indonesia. *Jurnal Ilmu Ekonomi Terapan, 10*(1), 11-24. https://doi.org/10.20473/jiet.v10i1.58541

Introduction

To balance the growth of young people in the labor market, creating jobs is essential. An imbalance between job creation and the growth of labor force growth will affect the high unemployment rate (Arsyad, 2017). A country or region's economic success rate can be seen from the available employment opportunities (Soeharsono, 2001). Unemployment is still a major concern in developing countries, as it will affect a country's economic and social conditions (Franita et al., 2019). According to (Septriani, 2023), unemployment will have an impact on the decline in people's income, ultimately impacting the decline in the community's prosperity. This decline in welfare levels will also have an effect on the high chances of people being trapped in poverty (Septriani et al., 2023) and in the long run will have a negative impact on the prospects for economic development. In addition, the high unemployment rate will also have an impact on increasing crime (Atthoriq et al., 2024; Septriani, 2024a; Fachrurrozi et al., 2021; Fauziah, 2019; Ismah et al., 2015). This aligns with Strain theory, which describes how unemployment can put people under social and economic pressure to turn to illegal activity in order to meet their basic necessities (Merton, 1968). The findings of this study support Hagan, (1993) argument, which proposes that rising unemployment rates are the primary cause of crime through a macro analysis. Therefore, the unemployment problem must be minimized by increasing the role of each sector supporting the Indonesian economy. Based on the data, the unemployment rate in Indonesia in 2021 reached 3.83%, making Indonesia the fourth-highest in the ASEAN. As for the unemployment rate in the 11 ASEAN countries, you can see it in Figure 1.

Furthermore, according to Yosuky et al. (2022), there are several policies that the government can use to overcome unemployment problems, such as job creation, changing the investment climate, spreading several economic stimuli, and improving the quality of human resources with education. Industrialization is one of the strategies that governments can take to accelerate economic development (Tambunan, 1996). The industrial sector is the sector that contributes the most to national income. By generating a large GDP, the manufacturing industry is expected to be able to absorb a large labor force. According to Purwasih & Soesatyo (2017), theoretically, as the growth rate of a sector increases, the growth of employment opportunities in that sector will increase. In other words, the relationship between the industrial sector and the labor force is very close. However, what is happening is that the absorption of labor in the manufacturing industry is not in line with the produced GDP, which is a sector that produces large outputs but is still low in labor absorptions, should be with the

size of the GDP produced then the company will need a large labor force to produce such a large output, but the manufacturing industry is in the third order in the labor absorption. The average contribution of the manufacturing industry to GDP over the last 11 years was 21.77% and the contribution to the labor force was only 14.65%, which means that the role of the industrial sector in absorbing labor in Indonesia is still low despite the huge contribution that the manufacturing industry makes to the GDP. This is because the current economic conditions of Indonesia are still in a transitional period of economic structural transformation from the agricultural sector to the industrial sector or to other sectors. Currently, the manufacturing industry has a considerable role in the Indonesian economy.

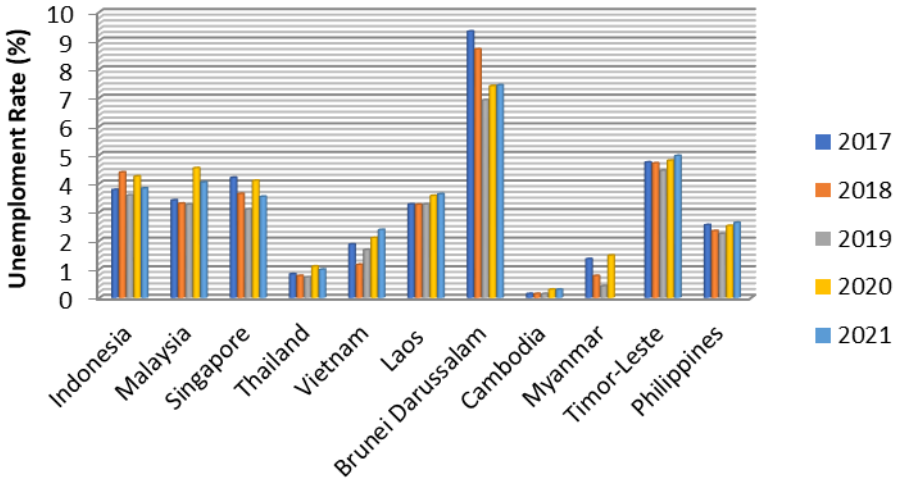

Figure 1: Unemployment Rate in 11 ASEAN Countries

The manufacturing industry makes a substantial contribution to GDP, but when you consider labor absorption, this processing sector only takes in a small amount of labor. Therefore, it is crucial to understand the factors that influence labor absorption in the manufacturing industry in Indonesia. This research aims to identify the underlying issues that contribute to the low labor absorption in the manufacturing sector. The goal is to find ways to minimize unemployment in Indonesia. Some suspected factors impacting labor absorption include wages, investment, and inflation; according to labor demand theory, a decrease in labor demand can occur when wages rise. If wages increase and the cost of labor exceeds that of other inputs, entrepreneurs will reduce the workforce to maximize profits (Wicaksono & Purwanti, 2010). Furthermore, development in the industrial sector requires adequate investment in order to function according to its purpose The existence of corporate investment can further enhance economic activity and employment opportunities, increase national income and improve the well-being of the people (Sukirno, 2005). After the minimum wage and investment, inflation is a factor that can affect employment. High inflation will have an impact on changes in output, employment and unemployment (Warapsari et al., 2020).

Literature Review

Sudarsono (1998) said that labor demand has a correlation with the amount of labor needed by a company, labor demand is influenced by changes in the wage rate and changes in other factors that affect the demand for the products of production, namely: the rise in the decline in the demand of the market for the product of the company, seen by the size of the production volume, and the price of capital goods such as the value of machines or tools used in the production process.

Figure 2 illustrates the relationship between wage size of wages and labor amount of labor. The demand curve has a negative slope; as the wage rate increases, the demand for labor decreases. Labor absorption refers to the amount of labor utilized in a sector or enterprise unit (Purwasih & Soesatyo, 2017).

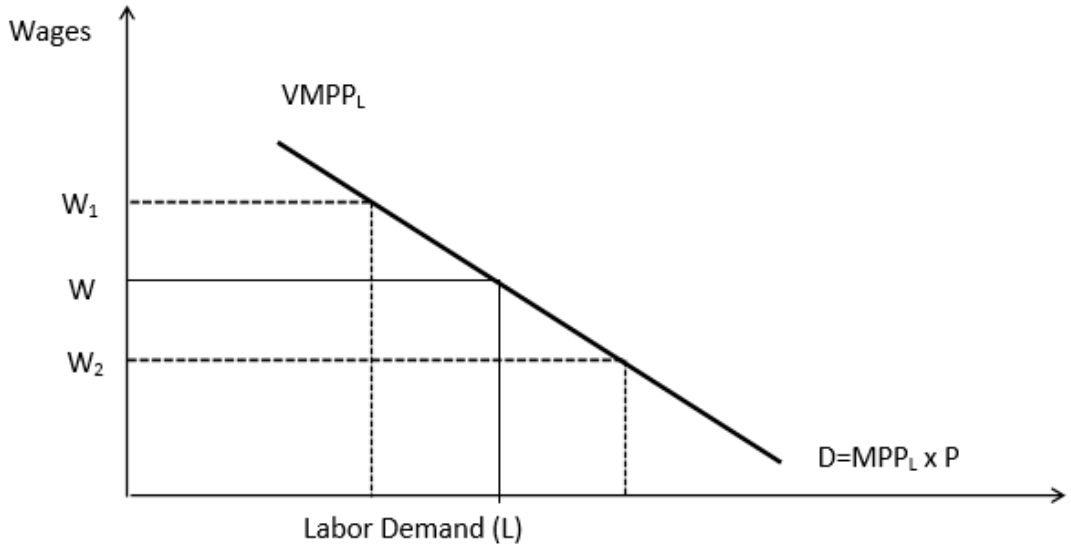

Figure 2: Labor Demand Curve

According to Sumarsono (2003) the large and small demand for labor determines the absorption of labor, the great and small elasticity of demand towards labor can be influenced by the labor substitution factor with other inputs. Labor absorption refers to the number of jobs filled that are visible to the working population. It is driven by the demand for labor. So, labor absorption can be termed labor demand (Kuncoro, 2011). According to Prasetyo & Huda (2019) and Purnomo, (2021) the change in wage rates will affect the absorption of labor. For a company, wages are the cost of production, so the entrepreneur will minimize production costs, that is, by reducing wages to get optimal profits. When wage rates rise, the cost of the company will increase, thus affecting the price of the goods produced. If the price of the goods goes up, then the quantity of goods requested will decrease. This leads to many products that are not sold, and the company will reduce the amount of production, so the labor required will be reduced. For a company, wages are included in the production cost, so it will minimize the production costs, one of which is by lowering the wage rate to get maximum profit. When wages rise, the company's production costs will increase, resulting in a higher unit price of goods produced. If the amount of unsold goods increases, the company will decrease production. The output of production will cause the absorbed labor to be reduced (Sabihi et al., 2021).

While the relationship of investment with the absorption of labor. Some of the results of research conducted by Ginting, (2021), Muslihatinningsih & Kusumasari, (2020), and Habanabakize et al. (2019) found that investment has a significant positive impact on labor absorption. Investment enables society to continuously enhance the economy, expand employment opportunities, and improve the level of well-being of its members. The investments made by the company will influence labor absorption of labor. This occurs because investment indicates that the production process will increase, necessitating labor to carry out that production. Investment aims the aim of maximizing total output over a given period of time. The volume of investments plays a significant role in labor absorption of labor in a society, while a lack of investment can lead to unemployment (Sukirno, 1994).

According to Suparmono (2018), investment has an impact on employment opportunities because when an industry develops, it requires adequate investment so that the process of industrial development can proceed as desired. The size of an investment determines the level of demand for labor. Theoretically, as the value of the investment grows, the demand also increases. Investment is one of the indicators of economic development in a region. According to Abouelfarag & Abed (2020), investment is considered one of the top priorities of most countries because its benefits can increase economic growth and enhance

employment opportunities. According to trade theory, investment is expected to improve resource allocation, thereby expanding labor absorption and creating significant amounts of labor.

Furthermore, for the relationship between inflation and labor absorption, according to Dharma & Djohan (2015), Inflation occurring in the economy can be relatively frightening because it can weaken public purchasing power and affect production processes, making the use of productive factors inefficient. Changes in people's purchasing power impact the demand for certain kinds of goods, leading to a decline in labor demand. According to the Phillips curve, low inflation often coincides with high unemployment; conversely, low unemployment can be achieved, but with high inflation. According to Nasir et al. (2023), Inflation can affect labor absorption because it induces changes in output and labor; companies may be motivated to produce more or less depending on the intensity of inflation. If inflation is mild, the company is likely to increase its output, as mild inflation can dampen the morale of producers due to the rising prices of goods still available to them. The desire to boost output will be accompanied by an increase in productive factors, such as labor, leading to a higher demand for labor. Conversely, in cases of severe inflation (hyperinflation), companies will tend to decrease output because of the rising costs of production factors, resulting in a reduction in the workforce and a decrease in labor absorption, which may elevate the unemployment rate in Nanga (2005).

Based on theory and previous studies, the following hypothesis is made:

Hypothesis 1	: H0: $\beta_1 = 0$:	There is no significant effect of minimum wage on labor absorption.
	: Ha: $\beta_1 \neq 0$:	There is a significant effect of minimum wage on labor absorption.
Hypothesis 2	: H0: $\beta_2 = 0$:	There is no significant effect of investment wage on labor absorption.
	: Ha: $\beta_2 \neq 0$:	There is a significant influence of investment on labor absorption.
Hypothesis 3	: H0: $\beta_3 = 0$:	There is a significant influence of inflation on labor absorption.
	: Ha: $\beta_3 \neq 0$:	There is a significant influence of inflation on labor absorption.

The criteria for rejecting the null hypothesis are applied when the probability value is less than α (5%). In other words, if the values of F count and t-count are compared with F-table and t-table, then the following terms apply: If t-count is greater than t-table, then H0 is rejected, and Ha is accepted, and vice versa.

Data and Research Methods

The type of this research is quantitative research. Processing data and analyzing data before making conclusions. This research uses secondary data obtained from Statistics Indonesia and Bank Indonesia. The data used in this research consists of time series data for the period 1991-2021, which includes information on labor absorption in the manufacturing industry, minimum wage, investment, and inflation. The analytical method utilized is double linear regression with time series data from 1991-2021. The econometric equation model used in this research is:

$$LogLA_t = \alpha + \beta_1 LogMW_t + \beta_2 LogINV_t + \beta_3 LogINF_t + \varepsilon_t \quad (1)$$

With PTK is Labor absorption in the manufacturing industry, UM = Minimum wage, INV is Investment, INF is Inflation, α is Constant, β is Independent variable coefficient, t is time series (1991-2021), and ε is Standard Error (residual). Furthermore, in analyzing the regression results

of the research model, several classical assumption tests were carried out first. The classical assumption tests carried out include normality tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests. In addition, based on the regression results, hypothesis testing was also carried out in this study, namely the F test, the t test and the determination coefficient test (R^2).

Finding and Discussion

Finding

Classical Assumption Test Results

Table 1: Normality Test

Jarquera Bera	Probability
1.281.735	0.526835

Based on the test results, the known probability of the Jarque-Bera value of 0.526, which is greater than 0.05. This indicates that the data is normally distributed or that it passes the normality test, allowing further analysis to be conducted (Gujarati, 2006).

Table 2: Multicollinearity Test

Variable	Centered VIF
Minimum wage	2.743710
Investment	2.825727
Inflation	1.086703

Based on the test results, the centered VIF value of the independent variable being less than 10 indicates that there is no correlation among the independent variables in the model, fulfilling the criteria of the multicollinearity test (Ghozali, 2016 p. 103).

Table 3: Homoskedasticity Test

Heteroskedasticity Test: White			
Null hypothesis: Homoskedasticity			
F- Statistic	0,987319	Prob F(9,21)	0,4786
Obs* R-squared	9,217130	Prob Chi-square(9)	0,4175
Scaled Explained SS	4,070741	Prob Chi-square(9)	0,9067

Based on the results of the tests in table 3, the Chi-Square probability value of Obs*R-squared is 0.4170, which is greater than 0.05. This indicates that there is no difference between the variants of the residuals for the entire regression model, or it can be concluded by passing the heteroscedasticity test (Ghozali, 2016).

Table 4: Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:			
Null hypothesis: No serial correlation at up to lags			
F-statistic	1,803432	Prob F(2,25)	0,1855
Obs* R-Squared	3,908601	Prob Chi-Square(2)	0,1417

Based on the test results, the Chi-Square probability value of Obs*R-squared is 0.1417 > 0.05, which means there is no autocorrelation and further analysis can be done (Ghozali, 2016). Furthermore, based on the results of data processing using the Eview application, it is obtained that the data used in this study has passed all the classical assumption tests. The regression analysis results of this study can be seen in the following table.

Table 5: Results of Linear Variable Regression

Variable	Coefficient	Std. Error	t-statistic	Prob.
C	5.886.115	0.116579	50.49052	0.0000 ***
MW	0.184877	0.013694	13.50100	0.0000 ***
INV	0.035571	0.008637	4.118282	0.0003 ***
INF	-0.001246	0.000448	-2.779966	0.0098 **
R^2		0.923922	F-statistic	109.2989
Adjusted R-Square		0.915468	Prob.F-Statistic	0.000000

Notes : *significant of p<0.01; **significant of p<0.05; *significant of p<0.1

Based on the results of testing using eviews 12, linear regression models are found to show the relationship between independent variables and multiple dependency variables as follows:

$$LogLA_t = 5.886115 + 0.184877LogMW_t + 0.035571LogINV_t - 0.0012461LogINF_t + \varepsilon_t \quad (2)$$

Discussion

Analysis of the Effect of Minimum Wage on Labor Absorption.

Based on the results of partial testing, the minimum wage has a positive and significant impact on the absorption of labor in the manufacturing industry in Indonesia with a coefficient value of 0.184877. This shows that if the minimum wage rises by 1% then the absorption of labor in the manufacturing industry will increase by 1.530653 million people. The results of this study are supported by research carried out by Rochmani et al. (2016), Warapsari et al. (2020), and Nofrita (2022) that minimum wages have a positive and significant impact on labor absorption. A rise in the minimum wage will increase labor absorption, and, on the contrary, a decrease in the minimum wage will lead to a decline in labor absorption in the processing industry. Wages will influence the low levels of production costs, resulting in either a reduction or an increase in the amount of labor (Sumarsono, 2003). To maximize profits, companies will continue to recruit labor to the point where the marginal labor product co-operates with real wages (Mankiw, 2003). According to Pardosi & Septriani (2023), the minimum wage will have an impact on unemployment. If wages go up, unemployment will go up too. This is in line with the theory of supply and demand for labor, where when the minimum wage is higher than the market balance, then the supply of labor will rise and can affect the rise in unemployment, and vice versa.

According to Pratiwi et al. (2021), Permadi & Chrystanto (2021), and Pardosi & Septriani (2023), minimum wages have a significant positive impact on unemployment. In this case, wages are the costs that the company has to spend to carry out production activities. Efficiently by reducing labor costs, workers regard wages as a source of income to meet their needs, which affects workers' efforts to raise their opinion which causes unemployment to rise. Basically, an increase in the minimum wage will increase the income of the workers so that it will have an impact on the increased purchasing power of the people. As market purchasing power increases, demand for goods and services rises, so the company adds productive factors such as labor to increase output, which means that labor absorption will increase. In the theory of labor supply, the higher the wages offered by the entrepreneur, the more people will be attracted to enter the labor market, the larger the wage rates that apply, the greater the amount of labor that enters the labor market. As the minimum wage increases, workers' incomes will rise, which affects the increased purchasing power of the people, so demand in the market will increase, so that companies will need more labor to meet demand in that market. That means the company will make a profit and open a new business unit (Warapsari et al., 2020).

According to Shintia & Abbas (2018), the enactment of the minimum wage is an effort by the government to protect workers from excessively low wages. The determination of the minimum wage in Indonesia involves setting the regional minimum wage, regulated by the government in each region of the country. This minimum wage is calculated based on the requirements for a decent living, productivity levels, and regional inflation, adjusted to reflect the high and low standard of cost of living. With the implementation of the minimum wage, it is hoped that workers will be able to adequately meet their living needs.

Market demand is an important indicator of how many goods a company must produce for sale. When there is high demand in the market due to the increased purchasing power of consumers, the company will add one of the factors of production, the labor force, to meet this demand. Keynes' theory states that what happens in the labor market follows what happens in the commodity market. Wage theory also explains that higher wages can make workers more productive. Thus, wages can serve as productivity drivers as well as tools for motivating and strengthening relationships between workers and entrepreneurs. The average quality of a company's workforce depends on the wages it offers; if the wages are low, the best workers will seek employment elsewhere. Conversely, when pay is high, workers are likely to increase their performance, making it easier for an industry to employ a capable workforce. This leads to increased production activity, allowing the company to produce goods that meet market demand (Ningsih & Indrajaya, 2015).

Analysis of Investment Impact on Labor Absorption.

Based on the results of partial testing, investments have a positive and significant impact on labor absorption with a coefficient value of 0.035571. This means that if the investment rises by 1% then the labor consumption of the manufacturing industry will increase by 1,0853529 million people. The results of this study are in line with research conducted by Ginting (2021), Muslihatinningsih & Kusumasari (2020), and Habanabakize et al. (2019) that investment has a significant positive impact on labor absorption. This investment will increase entrepreneurial capital capabilities, so that entrepreneurs can add and renew more energy factors. According to Dewi & Septriani (2023), investment is an important capital that is the key to the turning wheel of a country's economy. In this case, the more investment, the greater the absorption of labor. According to Sukirno (1994) and Septriani (2024b) this investment aims to maximize output in a given period. A lot of investment will have an impact on the absorption of labor in society. Investment plays an important role in any business as it creates opportunities for economic actors for broader employment opportunities and greater profits (Romdhoni, 2017).

Investment serves as a means and motivation for economic development. In Harrod-Domar's Theory, capital formation is viewed as expenditure that increases the capacity of an economy's capacity to produce goods or services or as an expense that effectively increases demand. Investment can expand the production capacity of the economy through increased capital stocks; with capital formation of capital, entrepreneurs will boost the volume of production. To increase output of, entrepreneurs will require more labor, resulting in a rise of labor absorption.

Investment serves as a driving factor in the development of a country's economy as a means of increasing the labor force and output, as it plays a crucial role within a nation. When the community income increases, it leads to increased societal consumption, prompting companies to boost production by enhancing their resources, such as materials, labor, and other factors of production. If investment remains a reliable focus, the multiplier effect on the economy means that greater investment will lead to an increase in capital stock. A larger capital stock enhances productivity, capacity, and quality of production, ultimately supporting the expansion of enterprises or industries, which will also lead to the absorption of labor (Paramita & Christianingrum, 2017).

According to Hadi (2010), There are several policy suggestions to encourage investment growth. First, create stability in political, social, and economic conditions. Second, build a government that is free from corruption, with consistency, clarity, and certainty of long-term government policies, alongside an efficient bureaucracy. Third, establish an effective financing sector and a conducive employment system. Fourth, implement an easy and simple taxation system, as well as streamlined export-import and domestic trade procedures. Fifth, facilitate land ownership or leasing for private companies, while ensuring that the majority of agricultural land is not controlled by foreign companies. Sixth, eliminate all Regional Regulations that hinder investment and business activities. Seventh, increase government investment, as it is indispensable to complement private and public investment.

Analysis of the Impact of Inflation on Labor Absorption

Based on the results of partial tests, inflation has a negative and significant impact on the absorption of labor in the manufacturing industry with a large coefficient of -0,001246. This means that when inflation rises by 1%, labor absorption drops by 0.1%. Inflation plays an important role in macroeconomic control that has a huge impact on various sectors of the economy. A relatively high rate of inflation will damage the economy, weaken people's purchasing power and lead to slow production (Anamathofani, 2019).

High inflation rates are an early indication of a country's deteriorating economy. When high-intensity inflation drives central banks to raise interest rates, it causes contractions or negative growth in the real sector and leads to rising unemployment. In the short term, rising inflation suggests economic growth, but in the long term, high inflation has a negative impact. As a result of research found by Chairani & Septriani (2023) and Pasaribu et al. (2020) that inflation has a negative impact on economic growth in Indonesia. Further, Chairani & Septriani (2023) stated that this high rate of inflation can interfere with economic activity because the economic players feel uncertain about the economic conditions in the future, thus resulting in declining economic activity. In this case, the high rate of inflation means that domestic goods are relatively more expensive than imports. Lack of competition in domestic product prices leads to low demand for domestic products. Entrepreneurs will reduce production because of the decline in demand. Decreasing production leads to a decrease in workers, thus affecting the rise in unemployment.

The Cost Push Inflation theory explains that, under conditions of cost push inflation, the supply rate is lower compared to the demand rate. This is due to the increase in the price of the factors of production, forcing the producer to reduce production to a certain level. This means that when inflation occurs, the cost of factor production increases; therefore, the company will reduce its production and minimize the production cost of one of them, which is labor, thus affecting of labor absorption decrease.

According to Nanga (2005), this inflation has an impact on changes in output and labor. Inflation also affects the efficiency of the production process, the use of the factors of production becomes inefficient, and there is a change in the purchasing power of the society, resulting in a decrease in the demand for certain kinds of goods. This will affect entrepreneurial decisions, where entrepreneurs tend to minimize production costs, such as reducing the labor force and replacing it with other factors, such as technology. This condition will eventually lead to a decrease in labor absorption. The results of this study are consistent with the research carried out by Putri et al. (2019), and Lavianty (2016) inflation has a negative and significant impact on labor absorption.

Conclusion

Based on the results of the study, it was found that each variable—minimum wages and investments—has a significant positive impact on labor absorption in the manufacturing industry in Indonesia. The inflation variable has a significant negative impact on labor absorption

in the processing industries in Indonesia. Simultaneously, the minimum wage, investment, and inflation influence labor consumption in the manufacturing industry. With an R-squared of 0.923922, it shows that 92.3 percent of the labor absorption variable can be explained by the minimum wage, investment, and inflation variables, while 7.7 percent pertains to other variables outside the model. This study concludes that to address the low contribution of the industrial sector to job absorption, increasing investment and the minimum wage in the industrial sector, along with controlling inflation, is essential. This approach is important for predicting high unemployment rates and boosting Indonesia's economic growth. However, when implementing the minimum wage policy, we must consider the industrial sector's ability to pay. The government should actively participate in creating fiscal and monetary policies that can stimulate the growth of the investment climate in the industrial sector. Additionally, the government must always maintain price stability, as this significantly impacts the sustainability of the industrial sector.

Furthermore, the limitation of this study is that the new researcher studied the industrial sector and by using multiple linear regression analysis tools and just included several independent variables. Therefore, for the next researcher, it is possible to analyze all the main sectors that support the Indonesian economy by using different types of data and analysis and by including other variables that theoretically have an influence on labor absorption.

Declaration

Authors' Contributions

Esa Fajar Rini and Septriani jointly conceptualized the study, designed the methodology, and developed the research project under the supervision of the Department of Development Economics, University of Bengkulu. Both authors equally contributed to the literature review, data collection, and formal analysis. Esa Fajar Rini contributed to the interpretation of findings and drafted the original manuscript. Septriani provided substantial input to the critical revision of the manuscript. All authors have read and approved the final version of the manuscript and take full responsibility for its content.

Funding Source

This research received no external funding.

Informed Consent Statement

Not applicable. The data used in this study were obtained from publicly available secondary sources that do not contain identifiable personal information

Availability of Data and Materials

This study used secondary data obtained from publicly available sources. The data can be accessed from the official website of Statistics Indonesia at [https://www.bps.go.id].

Conflict of Interest

The authors declare that there is no conflict of interest regarding the publication of this article.

Acknowledgment

The authors express their deepest gratitude to the Department of Development Economics, Faculty of Economics and Business, University of Bengkulu, for the administrative support provided throughout the research process.

References

Abouelfarag, H. A., & Abed, M. S. (2020). The impact of foreign capital inflows on economic growth and employment in Egypt. *Journal of Economic and Administrative Sciences, 36*(3), 258-276. https://doi.org/10.1108/JEAS-12-2018-0138

Anamathofani, A. L. (2019). Pengaruh Upah Minimum, Pdrb, Dan Inflasi Terhadap Penyerapan Tenaga Kerja Di Kota Malang. *Jurnal Ilmiah Mahasiswa FEB*, *7*(2), Article 2. https://jimfeb.ub.ac.id/index.php/jimfeb/article/view/6052

Atthoriq, W., Septriani, S., & Winarni, E. (2024). Analisis Pengaruh Ketimpangan Pendapatan dan Pengangguran Terhadap PDRB Melalui Kriminalitas di Indonesia. *Jurnal Development, 12*(2), 192-209. https://doi.org/10.53978/jd.v12i2.381

Arsyad, L. (2017). *Ekonomi Pembangunan dan Pembangunan Ekonomi*. Yogyakarta: STIE YKPN.

Chairani, I., & Septriani, S. (2023). Analysis of the Effect of Exports, Imports, Exchange Rates, and Inflation on Indonesia's Economic Growth. *Proceedings of Bengkulu International Conference on Economics, Management, Business, and Accounting*, *1*, 82–88.

Dewi, F. D., & Septriani, S. (2023). Analysis of Factors Affecting Foreign Direct Investment in ASEAN Countries. *ISAR Journal of Economics and Business Management, 1*(6), 36-40.

Dharma, B. D., & Djohan, S. (2015). Pengaruh investasi dan inflasi terhadap kesempatan kerja melalui pertumbuhan ekonomi di Kota Samarinda. *Kinerja: Jurnal Ekonomi dan Manajemen, 12*(1), 62-70. https://doi.org/10.29264/jkin.v12i1.18

Fachrurrozi, K., Fahmiwati, F., Hakim, L., Aswadi, A., & Lidiana, L. (2021). Pengaruh Kemiskinan Dan Pengangguran Terhadap Kriminalitas Di Indonesia Di Tahun 2019. *Jurnal Real Riset*, *3*(2), Article 2. https://doi.org/10.47647/jrr.v3i2.423

Fauziah, R. (2019). Analisis Pengaruh Kemiskinan, Disparitas Pendapatan, Pendidikan Dan Tingkat Pengangguran Terbuka Terhadap Jumlah Kriminalitas Properti Di Provinsi Jawa Timur Tahun 2013-2017. *Jurnal Ilmiah Mahasiswa FEB*, *7*(2), Article 2. https://jimfeb.ub.ac.id/index.php/jimfeb/article/view/5731

Franita, R., Harahap, A. F. D., & Sukriah, Y. (2019). Analisa Pengangguran di Indonesia. *Nusantara : Jurnal Ilmu Pengetahuan Sosial*, *6*(1), 88-91. https://jurnal.um-tapsel.ac.id/index.php/nusantara/article/view/97/97

Ghozali, I. (2016). *Aplikasi Analisis Multivariete Dengan Program (IBM SPSS)* (Edisi 8). Semarang: Badan Penerbit Universitas Diponegoro.

Ginting, S. (2021). Faktor-Faktor yang Mempengaruhi Penyerapan Tenaga Kerja Sektor Industri Manufaktur di Kabupaten Malang Tahun 2010-2018. *Jurnal Ilmiah Mahasiswa FEB*, *9*(1), Article 1. https://jimfeb.ub.ac.id/index.php/jimfeb/article/view/7039

Gujarati, D. N. (2006). *Dasar-Dasar Ekonometrika*. Jakarta: Erlangga.

Habanabakize, T., Meyer, D. F., & Oláh, J. (2019). The Impact of Productivity, Investment and Real Wages on Employment Absorption Rate in South Africa. *Social Sciences*, *8*(12), Article 12. https://doi.org/10.3390/socsci8120330

Hadi, P. U. (2010). Kinerja, Prospek, Dan Kebijakan Investasi Di Indonesia. *Analisis Kebijakan Pertanian*, *8*(2), 151–165. https://doi.org/10.21082/akp.v8n2.2010.151-165

Hagan, J. (1993). The Social Embeddedness of Crime and Unemployment*. *Criminology*, *31*(4), 465–491. https://doi.org/10.1111/j.1745-9125.1993.tb01138.x

Ismah, U., Yusrizal, & Muslim. (2015). Pengaruh Pengangguran Terhadap Kriminalitas Di Kabupaten Solok. *JURNAL FAKULTAS KEGURUAN DAN ILMU PENDIDIKAN*, *4*(9), Article 9. https://ejurnal.bunghatta.ac.id/index.php/JFKIP/article/view/6135

Kuncoro, M. (2011). *Ekonomi Pembangunan: Teori, Masalah dan Kebijakan.* Yogyakarta: UPP AMP YKPN.

Lavianty, M. E. (2016). *Pengaruh PDRB, Investasi, Upah Dan Inflasi Terhadap Penyerapan Tenaga Kerja Di Pulau Jawa Tahun 2008-2013* [Other, Fakultas Ekonomi dan Bisnis Unpas Bandung]. http://repository.unpas.ac.id/14559/

Mankiw, N. G. (2003). *Pengantar Ekonomi Jilid 2*. Jakarta: Erlangga.

Merton, R. K. (1968). *Social Theory And Social Structure*. New York, Free Press. http://archive.org/details/socialtheorysoci00mert

Muslihatinningsih, F., & Kusumasari, K. (2020). Penyerapan Tenaga Kerja Pada Sektor Industri Pengolahan. *Jurnal Ekuilibrium*, *3*(2), 46–54.

Nanga, M. (2005). *Makro Ekonomi: Teori, Masalah Dan Kebijakan. Edisi Kedua*. Jakarta: Raja Grafindo Persada.

Nasir, M. D. A., Afandi, M. Y., & Ali, H. M. (2023). Determinant of labor absorption in Yogyakarta. *Optimum: Jurnal Ekonomi Dan Pembangunan*, *13*(2), Article 2. https://doi.org/10.12928/optimum.v13i2.6966

Ningsih, N. M. C., & Indrajaya, I. G. B. (2015). Pengaruh Modal Dan Tingkat Upah Terhadap Nilai Produksi Serta Penyerapan Tenaga Kerja Pada Industri Kerajinan Perak | E-Jurnal Ekonomi Pembangunan Universitas Udayana. *E-Jurnal Ekonomi Pembangunan*, *4*(3), 139–219.

Nofrita, C. (2022). *Pengaruh Upah Minimum, Inflasi dan Pertumbuhan Ekonomi terhadap Penyerapan Tenaga Kerja di Provinsi Sumatera Barat* [Skripsi, Universitas Negeri Padang]. http://repository.unp.ac.id/41795/

Paramita, R., & Christianingrum, R. (2017). Pengaruh Investasi Terhadap Penyerapan Tenaga Kerja. *Jurnal Budget : Isu dan Masalah Keuangan Negara*, *2*(1), 32-50.

Pasaribu, E., Febriani, R. E., & Septriani. (2020). Efektifitas Transmisi Kebijakan Moneter Indonesia Jalur Nilai Tukar Pada Masa Pandemi Covid-19. *Pareto, 3(3*(2)), 35–50. https://doi.org/https://doi.org/10.32663/pareto.v3i2.1493

Pardosi, A. Y., & Septriani, S. (2023). Determination Factors of Unemployment in Banten. *Jurnal Ekonomi*, *12*(04), 2341-2347.

Permadi, E., & Chrystanto, E. (2021). Analisa Pengaruh Jumlah Penduduk, Produk Domestik Regional Bruto (PDRB), dan Upah Minimum Kabupaten/Kota terhadap Tingkat Pengangguran Terbuka di Kabupaten/Kota di Provinsi Jawa Timur Tahun 2012-2018. *OECONOMICUS Journal of Economics, 5*(2), 86–95

Prasetyo, A., & Huda, M. (2019). Analisis peranan usaha kecil dan menengah terhadap penyerapan tenaga kerja di kabupaten kebumen. *Fokus Bisnis: Media Pengkajian Manajemen dan Akuntansi, 18*(1), 26-35.

Pratiwi, I. M., Marseto, M., & Sishadiyati, S. (2021). Analisis Pengaruh Jumlah Penduduk, Indeks Pembangunan Manusia dan Upah Minimum Terhadap Pengangguran di Kabupaten Bangkalan. *Jurnal Syntax Transformation*, *2*(06), Article 06. https://doi.org/10.46799/jst.v2i6.300

Purnomo, S. D. (2021). Analysis of Labor Absorption in Central Java Province. *Ekonomis: Journal of Economics and Business*, *5*(1), Article 1. https://doi.org/10.33087/ekonomis.v5i1.311

Purwasih, H., & Soesatyo, Y. (2017). Pengaruh Pertumbuhan Sektor Industri Terhadap Penyerapan Tenaga Kerja di Kabupaten Sidoarjo. *Edisi Yudisium*, *5*(1).

Putri, S. E., Haryatiningsih, R., & Riani, W. (2019). Pengaruh PMA PMDN, Inflasi dan Upah Minimum terhadap Tenaga Kerja Sektor Industri Kabupaten Karawang Periode 2003-2017. *Prosiding Ilmu Ekonomi*, *0*, Article 0. https://doi.org/10.29313/.v0i0.15294

Rochmani, T. S., Purwaningsih, Y., & Suryantoro, A. (2016). Analisis Penyerapan Tenaga Kerja Sektor Industri Di Provinsi Jawa Tengah. *Jurnal Ilmu Ekonomi dan Pembangunan*, *16*(2), Article 2. https://doi.org/10.20961/jiep.v16i2.2322

Romdhoni, A. H. (2017). Pengaruh Investasi Terhadap Penyerapan Tenaga Kerja di Jawa Tengah Tahun 2009-2013. *Jurnal Ilmiah Ekonomi Islam*, *3*(02), Article 02. https://doi.org/10.29040/jiei.v3i02.107

Sabihi, D. M., Kumenaung, A. G., & Niode, A. O. (2021). Pengaruh upah minimum provinsi, investasi dan pertumbuhan ekonomi terhadap penyerapan tenaga kerja di Kota Manado. *Jurnal Berkala Ilmiah Efisiensi, 21*(1). https://ejournal.unsrat.ac.id/index.php/jbie/article/view/34725

Septriani, S. (2023). *Analisis Faktor Determinasi Indeks Pembangunan Manusia Di Provinsi Bengkulu*. *22*, 83–92.

Septriani, S. (2024a). The Impact of Economic Conditions on Criminality in Indonesia. *European Journal of Development Studies*, *4*(3), Article 3. https://doi.org/10.24018/ejdevelop.2024.4.3.345

Septriani, S. (2024b). Political Risk Indicators and Foreign Direct Investment (FDI) Attraction in Indonesia. *ISAR Journal of Economics and Business Management, 2*(10), 91-96.

Septriani, S., Armelly, A., Ekaputri, R. A., Hadiyanto, H., Sunoto, S., & Nopiah, R. (2023). *The Effect of Government Expenditure on Poverty in Indonesia*. 205–211. https://doi.org/10.2991/978-94-6463-328-3_25

Shintia, N., & Abbas, S. (2018). Penetapan Upah Minimum Di Provinsi Aceh. *Jurnal Justisia : Jurnal Ilmu Hukum, Perundang-Undangan Dan Pranata Sosial*, *3*(1).

Soeharsono, S. (2001). *Kesempatan Kerja Ketahanan Nasional Dan Pembangunan Manusia Seutuhnya*. Bandung : Alumni.

Sudarsono. (1998). *Ekonomi Sumber Daya Manusia*. Jakarta: Universitas Terbuka.

Sukirno, S. (1994). *Pengantar Ekonomi Makro*. Jakarta: Raja Grafindo Persada.

Sukirno, S. (2005). *Makroekonomi Modern*. Yogyakarta : Graha Ilmu.

Sumarsono, S. (2003). *Ekonomi Manajemen Sumber Daya Manusia dan Ketenagakerjaan*. Yogyakarta : Graha Ilmu.

Suparmono. (2018). *Pengantar Ekonomi Makro: Teori, Soal, dan Penyelesaiannya.* Yogyakarta: UPP AMP YKPN

Tambunan, T. T. H. (1996). *Perekonomian Indonesia Teori dan Temuan Empiris*. Jakarta: Ghalia Indonesia.

Warapsari, E. B., Hidayat, W., & Boedirochminarni, A. (2020). Analisis Pengaruh Inflasi, Pdrb, Dan Upah Minimum Terhadap Penyerapan Tenaga Kerja Di Jawa Timur. *Jurnal Ilmu Ekonomi*, *4*(2), Article 2. https://doi.org/10.22219/jie.v4i2.11445

Wicaksono, R., & Purwanti, E. Y. (2010). *Analisis Pengaruh PDB Sektor Industri, Upah Riil, Suku Bunga Riil, dan Jumlah Unit Usaha Terhadap Penyerapan Tenaga Kerja pada Industri Pengolahan Sedang dan Besar di Indonesia Tahun 1990-2008* [UNDIP: Fakultas Ekonomika dan Bisnis]. https://repofeb.undip.ac.id/6709/

Yosuky, D., Santono, F., Felycia, F., & Sania, T. (2022). Analisa Kebijakan Pemerintah Terkait Ancaman Pengangguran Pasca Kenaikan Inflasi. *Populer: Jurnal Penelitian Mahasiswa*, *1*(4), Article 4. https://doi.org/10.58192/populer.v1i4.422