

The Influence of Minimum Wages on the Unemployment Level in Islamic Economic Perspectives in West Java Province

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This research is motivated by the number of unemployed people in West Java Province. According to data obtained from the BPS of West Java Province, the unemployment rate in February 2019 decreased to 7.73%. The unemployment is caused by several indicators that influence it, one of which is the minimum wage. Minimum payments that always rise every year should be able to reduce the number of unemployed people in West Java Province; the higher the minimum wage, the more significant a company's contribution to recruiting workers who can match the wages given. It will reduce the number of unemployed. This study analyses the influence of minimum wages on the unemployment rate in West Java Province from the perspective of Islamic economics. The method used in this study is a quantitative method using regression analysis. The data used in this study was data obtained from secondary data from BPS West Java Province. The data has been analyzed using SPSS. Overall the results of the study show that the minimum wage does not significantly influence the unemployment rate in the province of West Java. This is because when wages rise, the output also issued increases so the company will not need to increase labour numbers. In the perspective of Islamic economics, every Muslim is required to work so that there is no unemployment, as well as every region must set a reasonable minimum wage. The conclusion is that payments must be sufficient; not too low for workers and not too high for entrepreneurs and good population growth. It can be a good indicator of the economy in an Islamic region.

Key words: *Minimum wage, unemployment, Islamic economic perspective.*

Introduction

Indonesia is a developing country that is still experiencing a process of economic development to achieve public welfare. In achieving prosperity, people need supportive employment opportunities and equal distribution of income in the community. Economic development is essentially a series of policy efforts that aim to improve the standard of living of the community to expand employment opportunities and direct the distribution of income equally. One of the problems of economic development faced by developing countries, including Indonesia, is the issue of unemployment.

Unemployment is a macroeconomic problem. For most people, losing a job means lowering the standard of living and increasing psychological stress. The problem of unemployment, in this case, is the controlled condition of fulfilling the right to welfare and the right to work. The high unemployment rate can bring the nation into a ruin that is difficult to avoid. If this happens, then the state has not carried out its basic obligations properly. The unemployment rate can be calculated by comparing the number of unemployed people with the number of people in the labour force expressed as a percentage (Muhammad, 2014). The absence of income causes unemployed people to reduce their consumption expenditure which causes a decrease in the level of prosperity. Prolonged unemployment can also have a bad psychological effect on the unemployed and their families.

Too high unemployment can also cause political insecurity and social chaos that disrupts economic growth and development. The result long term is the decrease in GNP and per capita income of a country. In West Java, there is a gap between the existing employment opportunities and the workforce, namely an increase in the number of employment opportunities that are not comparable to the increase in the workforce that is increasing faster; this will have an impact on the creation of unemployment.

Minimum Wage

Wages are one of the factors that, when viewed from the side of labour supply, affects employment. The amount of wages offered by a company is usually determined by the level of productivity, quality and work time of the workers themselves. According to the government regulation No. 7 of 2013 on labour and transmigration concerning minimum wages, the minimum wage is the lowest monthly wage consisting of basic wages including fixed allowances. This wage applies to those who are single and have 0-1 years work experience, functioning as a safety net, determined through a governor's decision based on recommendations from the wage council and valid for 1 (one) year (Gregory, 2000).

The development of the Privinsi Minimum Wage level in West Java Province seems to increase every year, with the increase in minimum wages every year, people's lives are better and is balanced with the standard of living of the people in an area increasing.

Based on previous research, namely "Analysis of Wages for Unemployment in Manado City 2003-2012". The test results show that the wage variable has a negative and significant effect on unemployment in the city of Manado.

H1: Minimum wages have a significant effect on the unemployment rate in West Java Province.

Unemployment Rate

According to Thomas Carlyle, unemployment is where someone wants to work but is unable to get a job. Unemployment is an economic problem that affects humans indirectly and most severely. For many people, losing a job means decreasing living standards and increased psychological stress (Sadono, 2013).

The population in a country can be divided into the working-age population (15-64 years), and not working age, which belongs to the non-working age group (non-productive age) that is 0-14 years old and elderly people who are over 65 years old. Based on the number of working-age residents who enter the workforce are those who are looking for work. Some who do not work (for various reasons) are not included in the workforce. Not all members of the labour force receives employment, these people are called unemployment (Pratama and Mandala, 2008).

The unemployment rate is the percentage of the workforce that is not or has not been employed. Unemployment is not about the number of people unemployed, but about the unemployment rate which is expressed as a percentage of the workforce. Comparing the number of unemployed in various countries will have no benefit because it will not provide an accurate picture of the comparison of the problems.

Islamic Economics

Islam also explained the problem of unemployment and economic growth, Allah has promised to bear the blessings of all of us, as stated in the Al-Qur'an letter al-Mulk verse 15:

Meaning: "He is the one who made the earth easy for you to explore, so explore it in all its corners and eat from some of His sustenance. And only to Him are you (returned after) resurrected. "

The verse explains that Allah SWT has created a "system" which is he who works will get the rizqi and whoever stands by will lose rizqi. That is, there is a process that must be passed to get sustenance (Hussain et al., 2018).

Unemployment can also occur due to lack of ability, experience or macro factors such as investment, limited employment opportunities and so on. Whatever the reason, Islam is very opposed to people being unemployed. Islam teaches people to never give up and to always try because Allah will never change someone's destiny; it is up to oneself who tries to change it.

Method

This study uses a quantitative research approach. This research is field research. In terms of the nature of the research, this research is associative in nature, which is to look for influences between one variable and another.

The data source that is used for this study is secondary data. Secondary data in this study was data obtained from the Central Statistics Agency (BPS) in West Java Province. To collect data and information this researcher uses the documentation method. This method is carried out by taking documentation or data that supports research, such as total minimum wages and unemployment rates, from BPS West Java Province. The population in this study is data collected based on the period of time, namely data on wages and unemployment rates per year published by the BPS of West Java Province which is taken, namely the last 33 years from 1986-2018.

The method used in sampling this study is saturated sampling. In determining the sample determined by the researcher several criteria used as a sample are the minimum wage and unemployment rate issued by the BPS of West Java Province.

In this study, there is one dependent variable used, namely the unemployment rate. The unemployment rate data to be examined is data from the West Java BPS in 1986-2018. The independent variable in this study is the minimum wage. Wage data to be examined is data from West Java BPS in 1986-2018.

Discussion and Conclusion

Descriptive analysis

The following are the results of a descriptive analysis of the data of each indicator:

Table 1: Descriptive Statistics

	Min.	Maximum	Average
OER	3.23	15.13	8.54
MW	120,835	2,250,000	497,374

The average of Open Employment Rate (OER) is 8.54. The lowest value of OER is 3.23 in 1990, the highest OER is 15.13 in 2005. The average value of the Minimum Wage (MW) is Rp 497.374. The lowest minimum wage is Rp 120.835, which is in 1986, the highest minimum wage is Rp 2.250.000, which is in 2016.

Determination Coefficients

Table 2: Model Summary

Model	R	R Square	Standard Error of the Est.
1	0.245 ^a	0.060	3.52617

Based on the table it can we can see the results of the test of determination, on the output model summary of the regression analysis, in the R Square column of 0.060. This means the magnitude of the influence arising from the independent variables, in this case, explains the variable unemployment rate that is equal to 6% while the remaining 94% is influenced by other variables not included in the research variable.

Table 3: The Effect of MA on OER

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.531	1	24.531	1.973	.170 ^b
	Residual	385.450	31	12.434		
	Total	409.981	32			

a. Dependent Variable: OER

b. Predictors: (Constant), MA

Based on the results of the analysis, the wage variable shows a significant number of $0.170 > 0.05$. So the minimum wage variable does not have a significant effect on the unemployment

rate in West Java Province. This is in accordance with the theory put forward by Mankiw, namely the theory of efficient wages. Wages do not have a derivative impact on labour absorption because when the wage level rises, workers are able to meet the necessities of life higher than the decent living figure. When the nutrition of workers is better than they will have higher productivity and the impact will increase output. The high productivity of employees in producing output can reduce production costs incurred by a company so that unemployment does not occur.

This result is also in line with previous research, namely Analysis of Wages for Unemployment in Manado City in 2003-2013. Based on the results of these studies the wage variable does not have a positive effect on the unemployment rate. Rising minimum wages can reduce the number of unemployed when the minimum wage increases, so someone's urge to look for workers is higher and causes the supply of labour to increase. With the increasing supply of labour, it encourages a reduction in the unemployment rate.

Whereas in West Java Province the minimum wage does not have a significant effect on the unemployment rate even though the wages themselves always increase every year. There are still many unemployed people in the province. This happens because the number of workers is more than the number of employment opportunities, so even though wages always increases, it does not affect the unemployment rate in the province of West Java (Abdullah et al., 2018).

The Islamic economic system does not just look at work as the main driver of economic activity, work is a noble act in order to realize a mutual benefit. Work is the command of Allah SWT and becomes the sunnah of the Prophet Muhammad, in Islam unemployment is something that is forbidden by Allah SWT, because Islam teaches people to work so they can fulfil their needs, fulfil their family's needs, and help their fellow humans. Working in the Islamic economic system is a must for every Muslim as a sharia obligation 'and is seen as a form of worship for those who do it, according to the word of Allah in QS. An-Nahl: 16. Meaning: "*Whoever does righteous deeds, both men and women in the state of faith, then verily we will give him a good life [839] and We will surely reward them with a better reward than what they have done*".

Afzarul Rahman's theory of determining minimum wages is a wage or salary determined to meet one's basic needs. Thus wages do not depend on labour supply and demand factors such as those in the modern economic system. The country as the representative of Allah SWT on earth is expected to be able to undertake equal distribution of income for members of its community and will never allow the provision of wages that are below the minimum level so that workers can fulfil their basic needs. Narrator Rasulullah s.a.w once said: "Give servants

and slaves food and clothing as is their custom and give those jobs according to their abilities."

This hadith clearly recommends that the wages of workers must be sufficient to cover their basic needs equal to living standards at that time. In accordance with the basic principles of existing Islam, wages or salaries are determined to meet one's basic needs. Islam also explains that the state of the economy is considered good if the state is able to manage existing resources well. This is reinforced by Al-Farabi, an Islamic philosopher who produced a work entitled Ara`Ahl al-Madinah al-Fadhilah (Idaman City Model). In the book, he wrote that the ideal country for Muslims is a country that is able to provide various needs for its citizens. The needs here are described in terms of a country's identity; a state must be able to solve unemployment problems with existing policies, maintain inflation stability and take advantage of a large number of the existing population, to the benefit of the people together.

Conclusions

From these results, the minimum wage does not have a significant effect on the unemployment rate. In Islam, work not only needed to meet the needs of the stomach but also to maintain the dignity of humanity that should be upheld. Someone who has worked and is serious in his work will increase his dignity and knowledge.

Recommendations

Based on the results of this study, it is expected that an effort will be made in addressing the problem of unemployment through population empowerment policies and expansion of employment by supporting MSMEs (Micro, Small and Medium Enterprises).

It is necessary to increase the use of good and organized human resources with the aim of creating a productive society so that it will create a low unemployment rate.

Society to further enhance creativity and explore the capabilities that exist in him will thus increase productivity for himself so that he.

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