

**THE EFFECTS OF GROSS REGIONAL DOMESTIC PRODUCT (GRDP)
AND THE MINIMUM WAGE ON EMPLOYMENT
IN WEST JAVA PROVINCE**

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ABSTRACT

This writing paper possess objective to observe and analyze the impact of the independent variables towards the employment variable or it is well known as the dependent variable. The independent variables applied within this research analysis were Gross Regional Domestic Product and minimum wage. This research study analysis utilized a secondary annual time series data from 2010 until 2014. The method that is applied in this research was panel data regression with the approach of Fixed Effect Model. According to this study, the result revealed that the minimum wage is give a significant and positive influence to employment, and also Gross Regional Domestic Product is give a significant and positive influence to employment.

Keywords:*GRDP, Minimum Wage, Employment.*

INTRODUCTION

Background of Study

The problems of employment and the employees which usually become the main deliberation of government from every year. The labors in every district/territory always demand the labor's prosperity. In West Java, there are main problems that occurs in this province which are the problem in Infrastructure, weak of Purchasing Power of the people in West Java, and the last is Employment problems, or there is an imbalance between the quantity of population or labor with the job opportunity that is provided in this province. However, the main problem compares with those three issues, finding a job is become the principal or prominent problem in West Java. The Unemployment and Poverty which are become a sample indicator regarding about these problems that West Java owned.

The West Java area is become one of the most boisterous and hectic provinces in Indonesia. One of some issues in West Java is the chance or opportunity in seeking the job and the issues regarding about employment. One or other elements that might be take part the employee is wage with the indicator is minimum wage. The minimum wage for West Java province is around Rp 1.000.000 on 2014 similar with East Java minimum wage. This minimum wage become the third level of poorest minimum wage after Central Java province and Yogyakarta province.

The growth of economic is the expansion of the economic activities that creates the production of services and goods developed in society and improved the welfare of citizen. West Java economic growth hold a significant contribution to the total amount of national economy. In 2013, Java island contribute for around 58.15 percent from 100 percent of total national economy.

The amount of West Jawa GRDP based on Constant Price 2000 in 2011-2013 (rupiah) as stated in table below:

Main Job Opportunities Sectors	2011	2012	2013
Agriculture	42.101.055	41.801.728	43.292.316
Manufacturing Industry	144.010.048	149.677.170	157.643.083
Construction	13.482.716	15.317.835	16.599.508
Trade, Hotels, Restaurants	75.852.552	84.762.948	91.181.323
Transport and Communication	17.645.145	19.763.392	21.673.175
Finance, Real Estate, Corporate Services	11.985.429	13.209.862	14.313.207
Mining and Quarrying	7.084.737	6.578.424	6.534.819
Electricity Gas and Water Supply	7.426.138	8.113.890	8.685.680
Service	23.605.740	25.527.155	26.915.729

Source: Central Bureau of Statistics, 2014 (processing data)

It might be admitted which West Java is a district or region that creates manufacturing industry, trade hotel and restaurant sectors, and also agriculture sectors as the sub sector or sector to provide the significant role in West Java economic growth. In broader circumstances, the manufacturing industry sectors and the trade hotel and restaurant become the major sector that is those sectors would give positive impacts on another sectors in West Java such as transport and communication, finance dwelling and business service, electricity gas and water supply, mining and quarrying, or construction that has fewer contribution compared than those three leading sectors. Based on the the appointed fundamental or background, this study will analyze on the way how the affects of the minimum wage and Gross Regional Domestic Product (GRDP) on the employment in West Java.

LITERATURE REVIEW

Employment

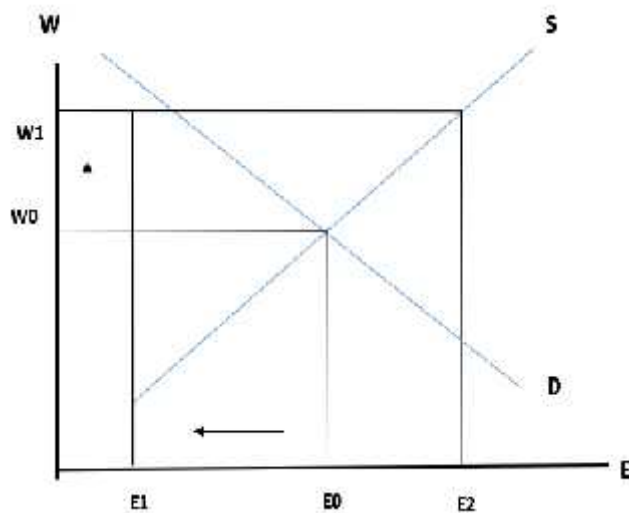
The employment is the connection between two parties that is usually based on some contracts which contains about corporation for profit, co-operative or other unity is the employer and the other is the employee. The employment is characteristically governed by employment laws or regulations or policy and legal contracts. According to the opinion from Tambunan (2001), the employment is the total amount of people who are able to work in a firm or a company, employment will take the whole available employees if the available employments are sufficient or enough with the available employees. The understanding of employment is also the establishment of the requirements of a good candidate of labor, among others, that has extensive knowledge, adequate skills, be able to communicate orally or in writing terms, have a strong motivation

and encouragement, have a desire to work hard, and be able to work carefully and precisely (Zulkarnain, 2008).

Minimum Wage

According to the Indonesian Law and Regulation Number 01 Year 1999 Article 01 paragraph 01, which explain that the minimum wage is the lowest monthly wages that is consisting of the basic wages including fixed allowances. This wage implement to those people who have the working experience range from 0 until 1 year. Based on the Law Article 94 Number 13 Year 2003 concerning on Employment, reveals that the wage component consists of the basic wages and fixed allowances, then the principal amount is at least 75% of the total basic wages and fixed allowance.

Figure 1 Minimum Wage in Competitive Market

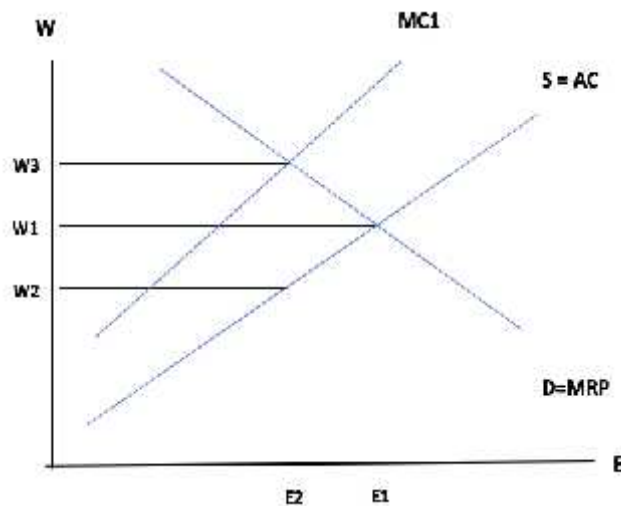


Source: Sadono Sukirno, 2006

In figure above, it exhibits that the situation of the employees and the price stability in the perfect competition design viewpoint. The demand curve of employee drawn *downward sloping* which is shows the marginal revenue product of labor (MRP). The downward MRP exhibits that productivity (output/outcome) contribution will improve on the *diminishing rate*, except that the employees are added. In addition, the supply curve of employee drawn *upward sloping* which shows the alternatives supply received by the employees. The stability wage rate and employee indicated through the meeting of supply curve (S) and demand curve (D). the figure above indicates that the stability wage rate is W0, whereas the stability of employee is E0. If the minimum wage is over the stability rate (W1), then this situation will make an *excess supply of labor* which indicated that just E1 will be hired with the quantity of employees existing on E2. The excess supply lead to the reduction of the employees who will be hired from E0 or when

the stability rate condition occurs to E1. E1 indicates the new stability rate after the minimum wage policy in the perfect competition market.

Figure 2 Minimum Wage in Monopsony Market



Source: Sadono Sukirno, 2006

In figure above, it reveals that before the stated of minimum wage, the marginal revenue product of labor (MRPL) drawn *downward sloping*, it indicates the extra income as the result of an additional quantity of employee. Beside that, the supply curve of employee (S) drawn *upward sloping* by reason of a monopsonist have to settle a higher wage to appeal the extra employees to be hired. The supply curve of employee (S) also indicates the average cost (ACL), it showing the average cost rate that have to paid if a company or businessman or monopsonist desire to hire the additional employees. The marginal cost of labor (MCL) is higher compared than the average cost (ACL) because the businessman should pay a higher wage to the employees who have been working to their company in long period. In this condition, the company or businessman will hire the employees until the condition when marginal cost of labor (MCL) equal to marginal revenue product of labor (MRPL). In the figure above, also reveals that the businessman will achieve a maximum profit if the marginal cost of labor (MCL) curve cut the marginal revenue product of labor (MRPL) curve. The stability wage rate is the wage in W0 and employee rate in E0 (Pratomo and Saputra, 2011).

Gross Regional Domestic Product (GRDP)

The expression and explanation regarding towards the Gross Regional Product is become the best matter to calculate or quantify a regional's economy. The Gross Regional Domestic Product (GRDP) is the entirely of gross value added of all population producer units in the district or region. The growth of an

economy is the condition when there is an increasing in the goods and services generated by an economy over a long period of time. It is calculated as the percentage intensify in real gross domestic product, in a nation, and gross regional domestic product in a regional area. GRDP is the market value of final goods and services created in an economy of some region. A province or region's general economic health might be calculated by viewing at the regional's economic growth and economic development. The indicator that is used to determine the economic growth is GRDP. The economic growth in some provinces or regions is generally indicated by a growing and improving in the regional's gross domestic product or GRDP. The GRDP is one economic tool that describe the value of a regional's output. GRDP are product that are actually produced by factors of production (labor, land, capital, entrepreneur) owned by the residents of some regions or region concerned (Bandung Central Bureau of Statistics, 2009).

Infrastructure

Infrastructure can be established as the basic physical and organizational structures and facilities that needed for operation of a society or enterprises. Infrastructure might be means by public facilities that is generally covering roads, hospitals, bridges, water, telephones, electricity, and others. Based on the assumption in the economics regarding on the infrastructure is a form of a public capital formed from investments which made by the government (Hapsari, 2011). The type or classification of the infrastructure divided into three which are economic infrastructure, social infrastructure and administrative infrastructure (World Bank, 1994).

Bureaucracy

Bureaucracy is a hierarchical administrative system designed to connect with a large number of routine jobs, many of which follow a set of rigid and non-personal rules (Gunarjo, 2011). Every government and organization need a bureaucracy. The need arises as a logical consequences of the existence of a hierarchical structure that is requires the stages of decision-making.

Investment

Investment or capital stock is become the one of the important factors in determining the economic growth and economic development. With the investment, it will allow the creation of new capital goods that will absorb new production factors that will create new jobs or employment opportunities that will absorb the power which in turn will reduce unemployment. By the investment, there will be additional output and new income on the factor of production, so that will be the economic growth (Todaro, 2004).

The Relationship of Minimum Wage towards Employment

Particularly, when the condition of the wage rate is increases, then the cost of production of some firms will also increase. The consumers might give some reacts if there an increasing in the price of goods, for instance the consumer might not be able to buying the same product anymore after there is an increasing in the good's price. This case will lead to excessively goods which are unsold and the companies will decrease the quantity of production. The argument regarding the

minimum wage's negative effect on employment, reveal that high minimum wage leads to unemployment, a worker will not only lose their job, but also the opportunity to advance within that company, opportunity in obtaining higher earnings (Neumark, 1995). The decreasing of production objective may have created the reducing of total of employee number (Sumarsono, 2003). According to the analysis of Sulistiawati (2012), which is the minimum wage has the important impact on the employment. It will describe that if the wage increasing happens, then it will give a great possibility to decrease the employee.

The Relationship of Gross Regional Domestic Product towards Employment

The correlation of Gross Regional Domestic Product (GRDP) on Employment is particularly the GRDP is an output activity of an economy, when the output raises, then employee will increase as well. It is connected with the production function idea that is appointed that the increasing output will be reached if the employee is in the maximum levels. In the Okun's Law, which is concern about the negative relation between unemployment and GRDP. The condition means that GRDP has a positive affect on employment. The increasing in the amount of GRDP will affect the increasing in employment as well. According to the analysis of Mujahidul (2014), that is the GRDP has positive impact on the employment. When the condition of GRDP has increases, then the total amount of employee will also increase. GRDP mainly is an economic activity output, therefore if the output raises then the amount of hired persons will also increase.

RESEARCH METHODOLOGY

The Type of Research

In this analysis or research, uses the quantitative research method. The quantitative method using numbers and statistics such as experiments, correlation studies using surveys and standardized observational, supportive materials for case study. Which is usually characterized by observe events, tabulate, summarize the data, analyze, conclusions (Cook, Reinhardt.1979). The objective of the quantitative approach is to identify how large is the variables (in numbers). By this method, the analysis or research will acknowledge the significance of the different categories or the correlation between the variables.

The Type and Source of the Data

The sort of the data which is applied in this research analysis is the quantitative data, and the source of data that is used in this analysis is the secondary data in the format of panel data in 2010-2014. The panel data is the compound among the time series data and the cross section. In this research analysis, the data is achieved from the Central Bureau of Statistics (CBS), (also the other sources which has connection with the research title) regarding about the GRDP data, minimum wage data and also the employment data.

The Method of Data Collection

The method of data collection which is used is the documentation method. Documentation method is consisting of examining the existing data in the form of databases, meeting minutes, reports, attendance logs, financial records, newsletters, and many others. The strengthens of this data collection method is can be inexpensive way to obtain the information or data, but the weakness of this method is it may be an incomplete data source. Documentation method also known as the technique to search any data about variable in the form of notes, transcript, newspapers, books, magazines, information, agendas. The research uses documentation method from the West Java Central Bureau of Statistics (CBS), the Development Planning Agency, and the population in 26 districts/cities in West Java Province.

Dependent Variable

The dependent variable is variable that influenced by the independent variable. The dependent variable in this analysis is employment (Y). Employment is the number or amount of labor force in 26 district/cities of West Java in 2010-2014 stated in life.

Independent Variable

- Wages Rate (X1):
Use Minimum Wage as the indicator: The minimum monthly income as the payment from businessman to employee in the form of money in 26 districts/cities of West Java in 2010-2014 stated in rupiah.
- Economic Performance (X2)
Use Gross Domestic Regional Product (GRDP) as the indicator: The amount of economic net value output that is occur over economic activities in 26 districts/cities of West Java in 2010-2014 stated in rupiah.

The Data Analysis Method **Regression Analysis**

In the form of linear, the functional relationship can be formulated as follows:

$$Y_{it} = \beta_0 + \beta_1 X1_{it} + \beta_2 X2_{it} + \epsilon_t$$

Where:

- Y = Employment
- X1 = Minimum wage variable
- X2 = GRDP variables
- β_0 = Constanta
- β_1 = Estimator of Minimum wage
- β_2 = Estimator of GRDP

Common Effect Model (CEM)

Common Effect that is basically means that the model has both fixed and random effects (includes both). This approach become the panel data estimation technology by merging *cross section* data and *time series* data with the method of Ordinary Least Square (OLS) (Widarjono, 2009). This model approach become the modest model compared with the other model approach except *Common Effect*. In this approach do not take into account the time dimensional or the individual, hence the intercept and the slope are considered as constant (the same). The similarity for this *Common Effect* model approach based on the assumption from Gujarati (2012), where i is refers to the *cross section* subject and t refers to the period of time.

Fixed Effect Model (FEM)

Fixed Effect is the individual heterogeneous by presuming the intercepts between individual groups are different, meanwhile the slopes are not different. The name of *Fixed Effect* particularly settles from the different intercepts between the individual groups however *time invariant*, whereas the *slopes* are reflected as the regression coefficient that is constantly fine between the individual groups or the time. On this *Fixed Effect* model approach, particularly the clarification is used to apply the *dummy variable* or can be called as the *Least Square Dummy Variable (LSDV)* model approach. The objective is to permit the several different parameter values occur in the *cross section* units or between times.

Random Effect Model (REM)

The last one is *Random Effect*, which described that the different parameters between the districts (regions) or time are take into account as an error (Kuncoro, 2012). Hence, it is assumed that the entity's error term is not correlated with the predictors which permit for time-invariant variables to take place as explanatory variables. Therefore, *Random Effect* is also known as the *Error Component Model*, which stated that the individual errors are not correlated.

Chow Test

In this part, concerning about the Chow Test which are purposed to test or to compare the *Common Effect* model approach with the *Fixed Effect* model approach (Widarjono, 2009). The Chow Test function is to view which model is better to used in among panel data regression model with Fixed Effects or regression model without dummy variable (Common Effects) by using the Residual Sum of Square).

Hausman Test

In this part, concerning about the Hausman Test which are purposed to test or compare the model approach of *Fixed Effect* with the *Random Effect* model approach within in determining the best model to apply as the regression model panel data (Gujarati, 2012). In the Hausman Test use the program which is quite similar with the Chow Test, that is *Eviews* program. The Hausman test statistic follow the distribution of Chi-square statistic with degree of freedom a number of independent variables (k) that is used in the research.

Classical Assumptions Test

In the using of panel data there is also might be able to discover and measure the influence better, wherein this cannot be used to the cross section and time series. The study that is applying panel data own some benefits such as co-linearity, that is lower between variables, over informative data used, larger variability, plentiful degrees of freedom and more efficient. These benefits as mention before allows the complex to acquire more regarding about the action of the existing model, so the classical assumption test on panel data is not needed or necessary. By viewing of the advantages of the panel data regression, should not be done in the classical assumption test panel data model (Gujarati, 2006).

Normality Test

Normality test, which have a purpose or objective to examine if the residual in regression model keep up or follow the normal outspread or not keep up the normal outspread. The characteristic of good model is when the condition of the model which it is residual keep up or follow the normal distribution. The method that normally applied in this normality test of classic assumption is JarqueBera test. The residual model is take into consideration following the normal distribution, if the significance test value is greater than the alpha 5% that usually have been used.

Multicollinearity Test

Multicollinearity test is the test that has a function or usefulness to test the condition if in the regression model there is consist of correlation between the independent variable. The characteristic of good regression model is the model should not have correlation between the independent variable in that analysis research. Another thing that may be indicate as the multicollinearity is from the connection link or relationship between the independent variable. Normally, the condition if the correlation coefficient is less than 0,80, then it means that the variable does not have the multicollinearity problem with whatever another independent variable.

Heteroscedasticity Test

Heterocedasticity test, which is explain or has a purpose to examine if the regression model takes place the several or various difference from residual of one observation to another one observation. The characteristic of the good regression model in this heterocedasticity test is the condition if there is no heterocedasticity. According to this research, the heterocedasticity analysis with using the comparison of the value of probability and the value of alpha 5%. The condition when the Probability of this heterocedasticity test greater than the alpha value or 0,05, then it may be concluded that this data in this research there is no heterocedasticity.

Autocorrelation Test

The last test in classic assumption test is autocorrelation test, which is test method that normally applied to test the possibility of autocorrelation is the D-W or Durbin-Watson. This test is merely applied for the level one autocorrelation or *first order autocorrelation*, and shows that the presence of intercept, which is

constant, in the regression model and there is no distinct or other variable among the independent variable. The Durbin-Watson test will generate a Durbin Watson (DW) value that will be compared by the two DW table values, which are Durbin Upper (du) and Durbin Lower (dl). It shows that there is no autocorrelation when the condition of the values is $dw > du$ and when $dw < dl$ then there is an autocorrelation.

Hypothesis Test

Determination Coefficient R-square (R^2)

The coefficient of determination (R^2) is apply to measure how the distant of the ability of independent variables to clarify and explain the dependent variable. The function is to shows or demonstrate the contribution of independent variables to the variation dependent variable. According to the suggestion from Gujarati (2006), the value always located between 0 and 1.

F-Statistic Test

The F-Statistic Test is examining to decide whether entire the independent variables can to explain their influences on the dependent variable. F-Statistic test is a test of regression relationship variables together – the independent variable on the dependent variable. The purpose of F-test is to measure or quantify the level of significance of the regression coefficients on the whole relationship of the independent variable on the dependent variable.

Partial Test (T-Test)

Partial test is purposed to acknowledge the significance of the independent variable influences to the dependent variable individually or separately. Based on the opinion from Sugiyono (2014), t-test is use for determine a research or an analysis of the effect from every independent variable toward the dependent variable.

RESULT AND DISCUSSION

Regression Estimation Result

The approximation that is already done by using the Fixed Effect Model (FEM) will be gained the result from the influence of the Minimum Wage and the GRDP on the Employment variable as mention below:

Table 1

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	456157.7	29551.04	15.43626	0.0000
Minimum Wage (X_1)	0.055449	0.016790	3.302401	0.0013
GRDP (X_2)	0.004487	0.001044	4.297729	0.0000
Coefficient Determination (R^2): 0.992681 F-Statistic: 0.000000				

Source: Primary Data, 2018. Processed

The purposes of the Multiple linear regression analysis is to knowing the relation and how much impact of independent variables to dependent variable in this research. It can be formulating a multiple linear regression equation, such:

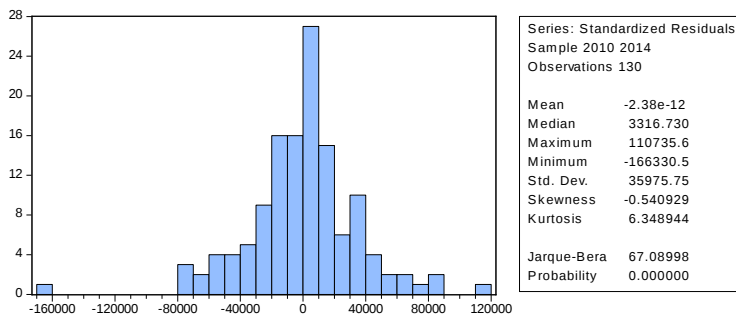
$$Y = 456157.7 + 0.055449\text{Ln} (X1_{it}) + 0.004487\text{Ln} (X2_{it})$$

The interpretations of the results of multiple linear regression equation are:

- For the Constanta = 456157,7. According to this data means that, if the minimum wage variable (X1) and GRDP variable (X2) is reflect constant or stable, then the employment will be raise or increase for 456157,7 percent.
- For the Minimum Wage variable parameter coefficient is 0.055449. According to this data means that, if the minimum wage rate increase or raise for one percent, while the condition of GRDP is stable or constant, then the employment will increase as well for 0.055449 percent.
- For the last variable of GRDP parameter coefficient is 0.004487. According to this data means that, if the GRDP raise for one percent, while the condition of Minimum Wage remains stable or constant, then the employment will increase as well for 0.004487 percent.

Normality Test

Figure 3



Source: Primary Data, 2018. Processed

The residual model is take into consideration following the normal distribution, if the significance test value is greater than the alpha 5% that usually have been used. The normality test results of the JarqueBera Probability significance test value for 0.000000 which is lower than 0,05, then it may be concluded that the data not distributed normally, and the assumption of this normality test completed do not normally distributed.

Multicollinearity Test

Table 2

	GRDP	Employment	Minimum Wage
GRDP	1.000000	0.668939	0.502142
Employment	0.668939	1.000000	0.353743
Minimum Wage	0.502142	0.353743	1.000000

Source: Primary Data, 2018. Processed

According to the result of the processing data above by Eviews, it shows that the correlation among the independent variable in this model or research analysis is have a smaller value compare than 0,80. To sump up, there is no correlation among the independent variable in this model, therefore the assumption in this research is comprehensive or completed.

Heteroscedasticity Test

Table 3

Dependent Variable: RESABS
Method: Panel Least Squares
Date: 03/28/18 Time: 15:38
Sample: 2010 2014
Periods included: 5
Cross-sections included: 26
Total panel (balanced) observations: 130

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	38261.91	14094.21	2.714725	0.0078
X1	0.009335	0.008008	1.165750	0.2464
X2	-0.000611	0.000498	-1.226419	0.2229
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.541414	Mean dependent var	25440.86	
Adjusted R-squared	0.420024	S.D. dependent var	25337.72	
S.E. of regression	19296.24	Akaike info criterion	22.76142	
Sum squared resid	3.80E+10	Schwarz criterion	23.37904	
Log likelihood	-1451.492	Hannan-Quinn criter.	23.01238	
F-statistic	4.460111	Durbin-Watson stat	2.347070	
Prob(F-statistic)	0.000000			

Source: Primary Data, 2018. Processed

According to this research, the heterocedasticity analysis with using the comparison of the value of probability and the value of alpha 5%. The condition when the Probability of this heterocedasticity test greater than the alpha value or 0,05, then it may be concluded that this data in this research there is no heterocedasticity. The Probability value of X1 is 0,2464 and for the probability od

X2 is 0,2229, therefore it may be concluded that this data in this analysis have no heterocedasticity.

Autocorrelation Test

Table 4

R-squared	0.992681	Mean dependent var	697617.1
Adjusted R-squared	0.990743	S.D. dependent var	420511.5
S.E. of regression	40458.02	Akaike info criterion	24.24213
Sum squared resid	1.67E+11	Schwarz criterion	24.85975
Log likelihood	-1547.738	Hannan-Quinn criter.	24.49309
F-statistic	512.3681	Durbin-Watson stat	1.512309
Prob(F-statistic)	0.000000		

Source: Primary Data, 2018. Processed

Based on this test, the value of Durbin Watson can be measure by the way of, first the dw in based on the result in Eviews is 1,512309. Then use the formulation of:

$$\begin{aligned}
 n &= 130 \\
 k &= 2 \\
 dw &= 1.5123 \\
 dl &= 1.6825 \\
 du &= 1.7449 \\
 4-dl &= 2.3175 \\
 4-du &= 2.2551
 \end{aligned}$$

According to the data in above, the value of observation result dw is 1.512309, which is located in the $dw < dl$, then it may be concluded that there is a positive autocorrelation in this model or in this research analysis.

Result of Hypothesis Testing Determination Coefficient Test (R^2)

Table 5

Effects Specification			
Cross-section fixed (dummy variables)			
R-squared	0.992681	Mean dependent var	697617.1
Adjusted R-squared	0.990743	S.D. dependent var	420511.5
S.E. of regression	40458.02	Akaike info criterion	24.24213
Sum squared resid	1.67E+11	Schwarz criterion	24.85975
Log likelihood	-1547.738	Hannan-Quinn criter.	24.49309
F-statistic	512.3681	Durbin-Watson stat	1.512309
Prob(F-statistic)	0.000000		

Source: Primary Data, 2018. Processed

The value of R^2 or the coefficient determination R-squared is normally used to

acknowledge and identify how major or how large (percent) the dependent variable transforming or changing, that is might be able to be clarified by the independent variable. The R^2 value evaluate from 0 (zero) and 1 (one). Based on the result from the Fixed Effect Model (FEM) test result, the value of R^2 , is achieved 0.992681 or it may be 99,26%. So it may be concluded as the similarity model be able to explain that the impact or influence of the minimum wage (x1) and the GRDP (x2) for 0.992681 or it may be 99,26%, and the other 0,74% is clarified by another variable alongside the similarity model.

Simultaneous Test (F Test)

Table 6

Effects Specification			
Cross-section fixed (dummy variables)			
R-squared	0.992681	Mean dependent var	697617.1
Adjusted R-squared	0.990743	S.D. dependent var	420511.5
S.E. of regression	40458.02	Akaike info criterion	24.24213
Sum squared resid	1.67E+11	Schwarz criterion	24.85975
Log likelihood	-1547.738	Hannan-Quinn criter.	24.49309
F-statistic	512.3681	Durbin-Watson stat	1.512309
Prob(F-statistic)	0.000000		

Source: Primary Data, 2018. Processed

According to the circumstances of the result data from Fixed Effect Model (FEM), that is estimated result of the value of the probability F-statistic is 0,000000. To sum up, based on the result which is probability F-statistic is smaller than the value of alpha (5%), therefore means that the variable of Minimum wage and GRDP of independent variable influenced to the Employment variable.

T-Test

Table 7

Dependent Variable: Y?
Method: Pooled Least Squares
Date: 03/28/18 Time: 16:48
Sample: 2010 2014
Included observations: 5
Cross-sections included: 26
Total pool (balanced) observations: 130

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	456157.7	29551.04	15.43626	0.0000
X1?	0.055449	0.016790	3.302401	0.0013

X2?	0.004487	0.001044	4.297729	0.0000
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Source: Primary Data, 2018. Processed

According to the result data or measurement by looking on the result of Fixed Effect Model (FEM) estimated that the Minimum Wage variable has the probability value of 0,0013 which is prove that the probability value is smaller than the value of degree of freedom ($\alpha = 0,05$). It may be concluded that the Minimum Wage variable has a significant influence to the Employment variable. Then for the GRDP variable, the value of probability in GRDP variable is 0,0000 which means also smaller than the value of degree of freedom ($\alpha = 0,05$). It may be concluded that the GRDP variable has a significant influence as well to the Employment variable, same with the Minimum Wage variable.

Research Implications

The Influences of Minimum Wage (X_1) on Employment

According to the result of this regression model data, that is acknowledged or admitted that the minimum wage variable (X_1) has a positive and significant influence to the employment in West Java cases by the coefficient of 0.055449, that means if the minimum wage is raising or increasing for one percent, then the employment will also increase as for 0.055449 percent. This condition shows that the minimum wage rate probability is 0.0013, smaller than the alpha value (0,05). Based on the result of this research model data is slightly not suitable or fit with the hypothesis in this research analysis, which is clarified that the minimum wage has the negative and significant influence to the employment in West Java. The result proven that the minimum wage is significant influence the employment variable, however not negative but positive influences.

The explanation according to the result on this research analysis is indicates that the minimum wage is might be able to decrease employment or increase the employment, however in this case the minimum wage policy in West Java it might be increase the employment. It explained that the minimum wage gives a positive impact in this case and has a significant effect toward the employment variable in West Java. It provides a good potential to increase the employment. Beside that, from this result research it is slightly not fit or suitable with the previous researches that is reveals that the minimum wage has a negative impact to the employment. But still same has a significant effect toward the employment.

The Effect of GRDP (X_2) on Employment

According to the result of this regression model data, that is acknowledged or admitted that the GRDP variable (X_2) has a positive and significant influence to the employment in West Java cases by the coefficient of 0.004487, that means if the GRDP is raising or increasing for one percent, then the employment will also increase as for 0.004487 percent. For the significance level of GRDP variable, the value of probability in GRDP variable is 0,0000 which means also smaller than the value of degree of freedom ($\alpha = 0,05$). It may be concluded that

the GRDP variable has a significant influence as well to the Employment variable, same with the Minimum Wage variable. Based on the result of this research model data is suitable or fit with the hypothesis in this research analysis, which is clarified that the GRDP has the positive and significant influence to the employment in West Java.

Based on this analysis, it shows that the GRDP hold the significant impact or influence and the positive effect toward the employment. The employment is affected by the exchanges in GRDP and by the exchanges in wage rates. The GRDP growth might give the positive relationship with the employment. The GRDP is the output of economic activity. Then if the output of economic or increases, then the number of employees or hired people also increase. However, the economic development or growth or performance is become one of the reason of the employment issue, the influence of GRDP to employment is quite strong. By the reason of, when the condition if the GRDP raise or increase, it is might be able directly become the indication to the bigger probability of the changes in employment. According to the result, it is suitable to the previous researches, that became the primary study of this research analysis. To sump up, the research hypothesis in this analysis model is acceptable.

CONCLUSION AND SUGGESTION

Conclusions

1. The Minimum Wage variable has the positive and significant impact or influence towards the Employment in West Java Province in 2010-2014. In other words, the condition when the minimum wage raises, it will also increase the employment by specific number or level.
2. The GRDP variable has the positive and significant impact or influence towards the Employment in West Java Province in 2010 - 2014. In other words, the condition when GRDP raises, then it will also increase the employment by specific amount or level.

Suggestion

1. The Government should decide the minimum wage rate with the right decision by take into consideration of the employees living cost standard. The proper determination of minimum wage policy by government also cause the advance labor skill, therefore the productivity of the labor will be increase same with the minimum wage increase condition.
2. The GRDP has the positive influence and significant influence towards the employment. When the condition if the GRDP raise, it is might be directly become the indication to the bigger probability of the changes in employment. Therefore, the government supposed to maximizes and balances several sectors contribution, such as the labor intensive sectors in West Java, then the employment will follow to increase by time to time.
3. In combating the unemployment and poverty problem in West Java, Government can provide program such as the education program, work training, and encourage people to create their own business, more creating program for creating businessman/young businessman, and creating policy

in order to increase skill, education, productivity, and prosperity for the citizen/ people.

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