

The Effect of GRDP, Minimum Wage, and Labor Force on Labor Absorption in Jombang Regency

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Abstract

This study aims to analyze the effect of Gross Regional Domestic Product (GRDP), District Minimum Wage (UMK), and the number of workforce on labor absorption in Jombang Regency during 2009-2024. This research uses a quantitative descriptive approach with multiple linear regression analysis using SPSS 27 software. The data were obtained through documentation methods from the Central Statistics Agency (BPS) and other relevant sources. The results show that partially, GRDP and minimum wage do not have a significant effect on labor absorption, with significance values greater than 0.05. This indicates that economic growth and minimum wage increases have not been able to optimally encourage labor absorption in Jombang Regency. The regional economic structure tends to be dominated by capital-intensive sectors, causing output growth not to be followed by an increase in labor demand. In contrast, the number of workforce has a positive and significant effect on labor absorption, with a significance value below 0.05. This finding indicates that an increase in the workforce can encourage economic activity and create wider employment opportunities. Overall, labor absorption in Jombang Regency is more influenced by labor force dynamics than by GRDP growth and minimum wage policies.

Keywords: *Gross Regional Domestic Product (GRDP), Minimum Wage, Number of Workforce, Labor Absorption*

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INTRODUCTION

In Indonesia, employment remains an important issue in national economic development. The large population growth has increased the supply of labor, especially among the productive-age population. However, the growth in employment opportunities is often unable to keep pace with the increase in the labor force, resulting in unemployment and underemployment problems. According to Statistics Indonesia, the number of employed

workers in East Java Province has continued to increase over recent years. In 2016, the number of employed workers reached 19,114,563 people, increasing to 20,449,949 in 2017, 20,655,632 in 2018, and 20,962,967 in 2020. These figures indicate that labor force participation continues to rise annually. This large labor supply increases competition for jobs. If the number of available jobs does not increase, this could lead to increased unemployment (Ramadhani, Putri and Mar, 2022).

Despite the increasing number of workers, labor absorption has not always increased proportionally. The imbalance between labor supply and employment opportunities creates economic and social challenges, particularly in regions where economic growth is not fully labor-intensive. This condition highlights the importance of understanding the factors influencing labor absorption at the regional level.

Labor absorption in Jombang Regency is influenced by several economic factors, including Gross Regional Domestic Product (GRDP), minimum wage, and the number of work force. GRDP reflects regional economic performance and production activities that potentially create employment opportunities. Meanwhile, minimum wage policies are expected to improve workers' welfare, although higher wages may also affect firms' decisions in hiring labor. In addition, the increasing number of work force can encourage economic activity and expand labor market participation. Jombang Regency was selected as the object of this study because it has experienced fluctuations in labor absorption amid increasing economic growth and workforce numbers. However, the increase in GRDP and minimum wage has not always been followed by optimal employment absorption. This condition reflects the possibility of structural economic issues and labor market dynamics that differ from other regions.

The Central Statistics Agency (BPS) reports that the number of workers absorbed in East Java Province has continued to increase over the past five years. In 2016, the number of employed workers reached 19,114,563. In 2017, it was 20,449,949. In 2018, this figure increased to 20,655,632, and in 2020, it increased to 20,962,967. This indicates that the number of employed workers is increasing annually.

The increase in the number of workers gives rise to various economic problems because the growth of job opportunities is not in line with the increase in the number of the workforce, so that the government's limitations in providing employment opportunities cause an increase in unemployment in the community, while Jombang Regency as a strategic area in East Java Province has stable and increasing economic growth with the processing industry, agriculture, trade, hotels and restaurants, and other services as the main drivers of the regional economy (Putri, Setyowati and Rosyadi, 2022).

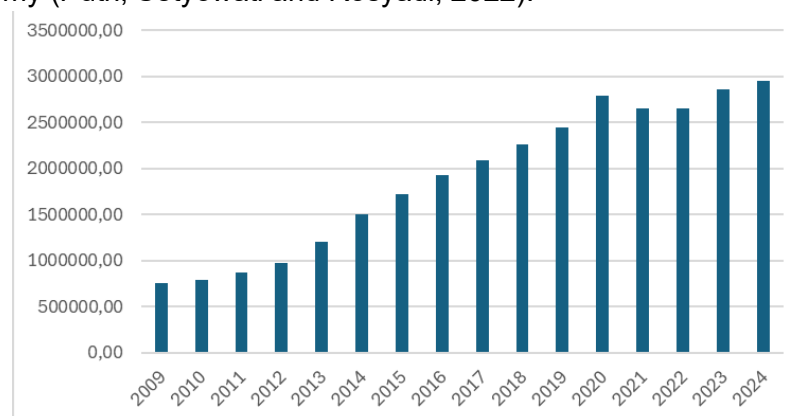


Figure 1. Jombang Regency Minimum Wage 2009-2024

Minimum Wage is one of the factors that influence labor absorption because it not only functions as a protection instrument for workers, but also determines the ability of business

actors to absorb labor, where the Jombang Regency Minimum Wage (UMK) which is determined based on the Decent Living Needs (KHL), productivity, and regional economic conditions shows a relatively consistent increasing trend during 2009–2024. The graph above shows the development of the Jombang Regency Minimum Wage from 2009–2024, which tends to increase annually. The minimum wage rose from around Rp750,000 in 2009 to nearly Rp3,000,000 in 2024. The increase occurred consistently, especially in the period 2013–2020. However, in 2021–2022, there was a slowdown or stagnation in the minimum wage increase. After that, the minimum wage increased again in 2023 and 2024. This condition is influenced by economic factors, national wage policies, and the capabilities of the business sector.

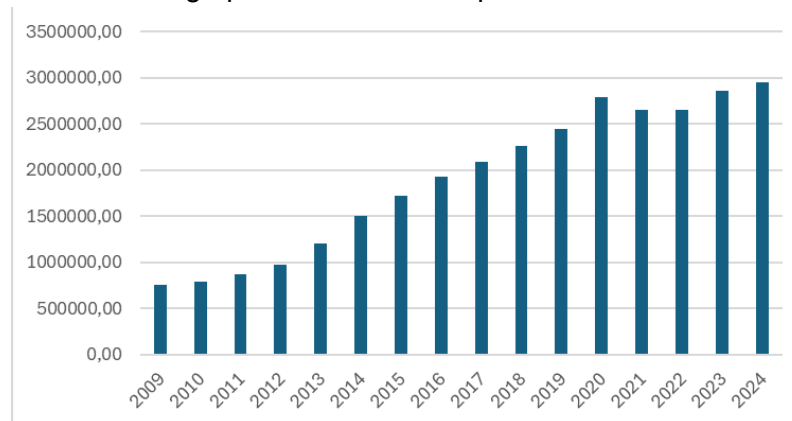


Figure 2. Number of Workforce in Jombang Regency 2009-2024

The graph above displays the workforce in Jombang Regency from 2009 to 2024. The graph shows a trend of increasing labor force numbers, although there have been periods of decline. In 2009, the workforce number was around 690,000, then declined in the 2010–2013 period to around 590,000. Starting in 2014, the workforce number gradually increased again, reaching around 700,000 in 2021. A slight decline occurred in 2022, but then increased significantly again in 2023 and 2024, reaching around 760,000.

The increase in the workforce indicates an increase in the productive-age population entering the job market. This reflects the increasing economic activity in Jombang Regency, but also requires the availability of adequate employment opportunities to optimally absorb the workforce. Labor absorption in Jombang Regency is influenced by Gross Regional Domestic Product (GRDP), the minimum wage, and the workforce. Increased economic activity, wage policies, and labor force growth have not yet been fully accompanied by optimal labor absorption. Therefore, empirical analysis is needed to determine the influence of these three factors on labor absorption in Jombang Regency.

THEORITICAL REVIEW AND HYPOTHESIS DEVELOPMENT

Economic Development Theory

Economic development is a long-term process to improve the welfare of society through increasing income, equalizing employment opportunities, and improving the quality of life through reducing poverty, reducing income inequality, and providing wider opportunities in the economic and social fields (Todaro, M.P., & Smith, 2006).

However, economic growth does not always directly increase employment opportunities. In several developing regions, economic growth is often dominated by capital-intensive sectors that rely more on technology and investment rather than labor. As a result, increases in regional output are not always followed by proportional increases in labor absorption. This condition shows that employment problems are not only related to economic growth, but also to the structure of the regional economy and labor market conditions.

Gross Regional Domestic Product

Gross Regional Domestic Product is the total added value generated by all business units operating within a specific region, or it can also be interpreted as the total value of final goods and services produced by all economic actors in that region. At the provincial, district, and city levels, GRDP reflects a region's ability to generate economic output within a specific time period. (Hasibuan et al., 2022).

Workforce

According to Law No. 13 of 2003, a workforce is any person capable of performing work to produce goods or services to meet their own needs or those of the community. Residents are classified as workers if they are of working age, between 15 and 64 years old. (Dwi Agustin Puspasari, 2020).

Minimum Wage

The minimum wage is the lowest amount an employer must pay to an employee for work performed during a specified period of time, and it cannot be reduced through collective agreements or individual contracts. This minimum wage is established as a form of social protection based on the need for a decent living in each region. (Shafina, Tjut Dhien, 2020).

Labor Force

The labor force is the working-age population directly involved in economic activities or willing to participate. The labor force includes those employed in the production of goods and services, as well as those unemployed but seeking employment. (Novia Rahmasari, Dwi Widiarsih, 2024).

The Relationship between Gross Regional Domestic Product (GRDP) and Labor Absorption

Gross Regional Domestic Product (GRDP) is a macroeconomic indicator used to describe the level of economic activity and performance of a region, derived from the entire production process of goods and services across various economic sectors. The magnitude of GRDP reflects a region's ability to manage and utilize its economic resources productively. In economic development theory, increased output, reflected in GRDP growth, is viewed as one of the main indicators of the success of regional economic development, as it indicates the expansion of economic activity, increased added value, and improvements in the economic structure, which have the potential to boost public welfare and expand employment opportunities. Economic growth, reflected in increased regional output (GRDP), plays a crucial role in creating employment opportunities and reducing unemployment, as it drives the expansion of production activities and the demand for labor (Todaro, M. P., & Smith, 2006).

Several empirical studies found that GRDP has a positive effect on labor absorption because increasing economic activity encourages firms to expand production and increase labor demand. However, other studies revealed inconsistent findings where GRDP growth did not significantly affect labor absorption, particularly in regions dominated by capital-intensive industries. This indicates that the relationship between GRDP and labor absorption may differ depending on regional economic structures and labor market characteristics.

In Jombang Regency, economic growth continues to increase from year to year, yet labor absorption does not always increase proportionally. This condition indicates that regional economic growth may still be concentrated in sectors that do not optimally absorb labor.

Therefore, further empirical analysis is necessary to examine whether GRDP significantly affects labor absorption in Jombang Regency.

H1 : Gross Regional Domestic Product influences labor absorption in Jombang Regency.

The Relationship Between Minimum Wages and Labor Absorption

The minimum wage is a government policy aimed at protecting workers and ensuring they receive a decent wage. From an economic theoretical perspective, the minimum wage policy has implications for labor absorption. According to David Ricardo's classical wage theory, long-term wages tend to remain at the subsistence level, and wage increases above this level without a corresponding increase in productivity can increase production costs. This situation has the potential to encourage companies to reduce their labor use. This view is supported by neoclassical labor market theory, which states that wage increases will increase labor costs, thereby reducing the demand for labor by companies. When market demand increases due to rising purchasing power, companies will increase their business scale and number of production units, thereby increasing the need for labor. Under these conditions, wage increases can be accompanied by increases in labor productivity, as higher wages can improve worker motivation and performance (Sukirno, 2002).

Previous studies have shown inconsistent results regarding the effect of minimum wage on labor absorption. Some studies concluded that higher minimum wages reduce labor absorption due to increased production costs, while others found no significant relationship because labor demand is more influenced by productivity and market conditions than wage levels alone. In the case of Jombang Regency, the minimum wage has consistently increased over time, but labor absorption has fluctuated. This condition indicates that changes in minimum wage may not necessarily become the main consideration for firms in absorbing labor. Therefore, this study reexamines the relationship between minimum wage and labor absorption in Jombang Regency.

H2 : Minimum wages have an impact on labor absorption in Jombang Regency.

The Relationship between the Number of Workforce and Labor Absorption

The number of labor force reflects the potential labor force available in a region because it consists of the working-age population, both employed and seeking employment. Therefore, in labor market theory, labor absorption is determined by the balance between labor supply, as reflected in the number of labor force members, and labor demand, which is influenced by economic activity. Increased production activity will drive labor demand. However, if labor force growth is faster than job creation, there will be an excess supply of labor, potentially increasing unemployment and reducing the effectiveness of labor absorption (Kuncoro, 2002).

An increase in the labor force may encourage economic activity because a larger productive population can increase production capacity and market activity. However, if employment opportunities do not grow proportionally, the increase in labor force may instead lead to higher unemployment. Therefore, the effectiveness of labor absorption depends on the ability of the regional economy to provide adequate employment opportunities. Several previous studies found that the labor force has a positive and significant effect on labor absorption because increasing labor availability encourages the expansion of economic activities and production sectors. In Jombang Regency, the labor force has shown an increasing trend over recent years, accompanied by relatively improving labor absorption. This

condition suggests that labor force growth may contribute positively to employment opportunities in the region.

H3 : The number of workforce influences labor absorption in Jombang Regency.

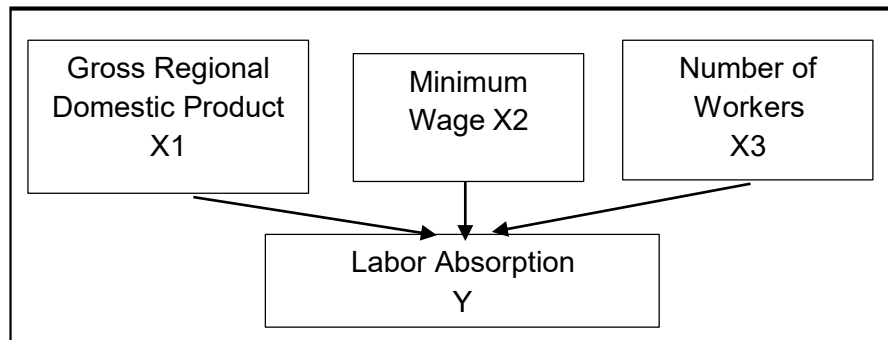


Figure 3
Conceptual Framework

RESEARCH METHODS

The method applied in this research is a quantitative descriptive approach. The population used in this study is data on gross regional domestic product, district minimum wages, the workforce, and employment in Jombang Regency. The sample used is data on Gross Regional Domestic Product, District Minimum Wages, the workforce, and employment collected over 16 periods, from 2009 to 2024.

The data collection method used in this study is documentation. The data used includes Gross Regional Domestic Product, District Minimum Wages (UMK), the workforce, and employment. All data were obtained from the Central Statistics Agency (BPS) and other relevant and accountable sources for the period 2009-2024.

The analytical technique used in this study is multiple linear regression analysis. Data processing was performed using SPSS 27 for Windows statistical software to obtain research results and address the research questions. The operational definitions of the variables are as follows: Labor absorption refers to the number of employed workers in Jombang Regency; Gross Regional Domestic Product (GRDP) represents the total regional economic output produced within a certain period; Minimum wage refers to the officially established district minimum wage (UMK) in Jombang Regency; Labor force refers to the working-age population that is employed or actively seeking employment.

The analytical technique applied in this study is multiple linear regression analysis using IBM SPSS Statistics software. Multiple linear regression analysis is used to determine the effect of GRDP, minimum wage, and labor force on labor absorption. The regression model used in this study is formulated as follows:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where:

- Y = Labor Absorption
- a = Constant
- $\beta_1, \beta_2, \beta_3$ = Regression coefficients

- X_1 = Gross Regional Domestic Product (GRDP)
- X_2 = Minimum Wage
- X_3 = Labor Force
- e = Error term

To ensure the validity of the regression model, classical assumption tests were conducted before hypothesis testing. The classical assumption tests include normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. The normality test was conducted to determine whether the residual data are normally distributed. The multicollinearity test was used to examine correlations among independent variables through tolerance and Variance Inflation Factor (VIF) values. The heteroscedasticity test was performed to identify whether residual variances are constant in the regression model. Meanwhile, the autocorrelation test using the Durbin-Watson method was conducted to determine whether there is correlation among residuals in time-series data.

Furthermore, hypothesis testing in this study consists of the coefficient of determination test (R^2), partial test (t-test), and simultaneous test (F-test). The coefficient of determination test was used to measure the ability of independent variables to explain variations in labor absorption. The t-test was conducted to determine the partial effect of each independent variable on labor absorption, while the F-test was used to determine the simultaneous effect of all independent variables on labor absorption. The significance level applied in this study is 5% (0.05).

RESULTS AND DISCUSSION

Research Results

Gross Regional Domestic Product (GRDP) Development

The development of Gross Regional Domestic Product (GRDP) in Jombang Regency from 2015 to 2024 can be seen in the table below:

Table 1. Development of Gross Regional Domestic Product (GRDP) in Jombang Regency from 2009 to 2024

Year	PDRB	Development (%)
2009	16.517,12	-
2010	17.350,78	5,05
2011	18.384,97	5,96
2012	19.514,85	6,15
2013	20.672,30	5,93
2014	21.793,19	5,42
2015	22.960,25	5,36
2016	24.199,07	5,40
2017	25.497	5,36
2018	26.846,15	5,29
2019	28.216,18	5,10
2020	27.657,58	-1,98
2021	28.553,45	3,24
2022	30.086,17	5,37
2023	31.602,77	5,04
2024	33.230,48	5,15

The table above shows that Jombang Regency's GRDP (Regional Gross Domestic Product) tends to increase from 2009 to 2024. This increase occurs almost every year, with relatively stable growth at around 5%. However, in 2020, there was a decline of -1.98%. After that, the GRDP increased again until 2024. Overall, Jombang Regency's GRDP shows a positive growth trend from year to year.

After 2020, GRDP growth gradually recovered, reaching 5.37% in 2022 and 5.15% in 2024. This condition indicates that the regional economy of Jombang Regency continued to develop despite experiencing temporary economic pressures. Nevertheless, the increase in GRDP was not always followed by proportional increases in labor absorption, indicating that economic growth may have been concentrated in sectors with relatively low labor intensity.

Minimum Wage Development

The minimum wage is an important indicator of employment conditions and worker welfare in a region. The development of the minimum wage in Jombang Regency from year to year shows adjustments influenced by various economic factors. The development of the minimum wage in Jombang Regency for the period 2015-2024 can be seen in the following table:

Table 2. Development of the Minimum Wage in Jombang Regency, 2009-2024

Year	Minimum Wage	Development (%)
2009	752000,00	-
2010	790000,00	5,05
2011	866500,00	9,68
2012	978200,00	12,89
2013	1200000,00	22,67
2014	1500000,00	25,00
2015	1725000,00	15,00
2016	1924000,00	11,54
2017	2082730,00	8,25
2018	2264135,78	8,71
2019	2445945,00	8,03
2020	2794802,00	14,26
2021	2654095,00	-5,03
2022	2654095,00	0,00
2023	2854095,00	7,54
2024	2945544,00	3,20

The table above shows that the minimum wage in Jombang Regency has tended to increase between 2009 and 2024. Increases occurred almost every year, with varying degrees of growth, reaching its highest level in 2020 at 14.26%. However, in 2021, there was a decrease of -5.03%, and in 2022, there was no change (0.00%). After that, the minimum wage increased again until 2024. Overall, the minimum wage in Jombang Regency shows an upward trend from year to year.

However, the minimum wage experienced a decline in 2021 and stagnation in 2022 due to economic adjustment policies and labor market conditions. Afterward, wage growth resumed in 2023 and 2024. Although minimum wages continued to increase overall, labor

absorption did not increase consistently, suggesting that wage policies alone may not determine firms' decisions to hire workers.

Labor Force Development

The labor force is an important indicator of labor availability in a region. The year-to-year development of the labor force in Jombang Regency reflects labor market dynamics, which are influenced by various economic and demographic factors. The development of the labor force in Jombang Regency for the period 2015–2024 can be seen in the following table:

Table 3. Development of the Labor Force in Jombang Regency, 2009–2024

Year	Labor Force	Development (%)
2009	693.287	-
2010	610.964	-11,87
2011	596.506	-2,37
2012	611.133	2,45
2013	593.902	-2,82
2014	604.172	1,73
2015	647.442	7,16
2016	655.915	1,31
2017	664.389	1,29
2018	674.153	1,47
2019	689.118	2,22
2020	697.290	1,19
2021	706.216	1,28
2022	669.798	-5,16
2023	758.822	13,29
2024	766.832	1,06

The table above shows that the workforce in Jombang Regency tended to increase between 2009 and 2024. This increase occurred almost every year, with relatively small and stable growth. However, in 2022, there was a decline of -5.16%. After that, the workforce increased again in 2023, with a relatively high growth rate of 13.29%, and continued to increase until 2024. Overall, the workforce in Jombang Regency shows an upward trend from year to year.

Several periods experienced declines, especially during 2010–2013 and in 2022. However, substantial growth occurred in 2023, reaching 13.29%. The increasing labor force indicates that more productive-age individuals entered the labor market, which potentially increased regional economic activity and labor availability.

Development of Labor Absorption

Labor absorption is a key indicator in assessing a region's economic capacity to create jobs. The labor absorption rate reflects the size of the labor force that can be absorbed into economic activity. The development of labor absorption in Jombang Regency from 2009 to 2024 can be seen in the following table:

Table 4. Development of Labor Absorption in Jombang Regency 2009-2024

Year	Labor Absorption	Development (%)
2009	650.361	-
2010	578.789	-11,00
2011	593.961	2,62
2012	561.623	-5,44
2013	552.110	-1,69
2014	577.679	4,63
2015	607.856	5,22
2016	619.047	1,84
2017	630.238	1,81
2018	642.854	2,00
2019	658.832	2,49
2020	645.121	-2,08
2021	656.153	1,71
2022	633.153	-3,51
2023	723.488	14,27
2024	738.094	2,02

The table above shows that labor absorption in Jombang Regency has tended to increase from 2009 to 2024. This increase occurred in most years, with relatively stable growth. However, in 2020 and 2022, there were declines of -2.08% and -3.51%, respectively. After that, labor absorption increased significantly in 2023, reaching 14.27% and continued to increase until 2024. Overall, labor absorption in Jombang Regency shows an upward trend from year to year.

Declines in labor absorption occurred in 2010, 2012, 2020, and 2022. The decrease in 2020 was likely associated with economic disruptions affecting employment opportunities. Meanwhile, labor absorption increased significantly in 2023 by 14.27%, indicating an improvement in employment opportunities and regional economic recovery.

Multiple Linear Regression Test

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	5.555	47.709	
	PDRB	.001	.001	.091
	Wages	1,11E-02	.000	.061
	Workforce	.898	.104	.923

Figure 4. Multiple Linear Regression Results

Source: SPSS Output

From the regression output results using SPSS, the regression equation above can be obtained, which is explained as follows:

$$PTK = 5.555 + 0.001 \text{ GRDP} + 0.011 \text{ WAGES} + 0.898 \text{ LABOR FORCE}$$

Coefficient of Determination Test (R²)

Model	R	R Square	Adjusted R	Std. Error of the
			Square	Estimate
1	.977 ^a	.954	.943	1.246.072

Figure 5. Test of the Coefficient of Determination (R²)

Source: SPSS Output

The coefficient of determination (R^2) test shows the ability of independent variables to explain variations in labor absorption. The regression results indicate that GRDP, minimum wage, and labor force are able to explain most variations in labor absorption in Jombang Regency, while the remaining variation is explained by other factors outside the model.

Based on the coefficient of determination test results, the R value is 0.977, indicating a very strong relationship between the independent variables and labor absorption in Jombang Regency. The regression results also show an R^2 value of 0.954, which means that 95.4% of the variation in labor absorption can be explained by Gross Regional Domestic Product (GRDP), minimum wage, and labor force variables. Meanwhile, the remaining 4.6% is explained by other variables outside the regression model that were not examined in this study.

F-Test (Simultaneous)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	38.899.165	3	12.966.388	83.509	.000 ^b
	Residual	1.863.233	12	155.269		
	Total	40.762.398	15			

Figure 6. F-Test (Simultaneous)

Source: SPSS Output

The simultaneous test (F-test) indicates that GRDP, minimum wage, and labor force simultaneously affect labor absorption in Jombang Regency. This result shows that the three variables collectively contribute to explaining changes in labor absorption during the research period. The results of the simultaneous test (F-test) show that the regression model has an F-value of 83.509 with a probability value (Sig.) of $0.000 < 0.05$. These findings indicate that GRDP, minimum wage, and labor force jointly exert a statistically significant influence on labor absorption in Jombang Regency. Thus, all independent variables collectively contribute to explaining changes in labor absorption throughout the observation period.

t-Test (Partial)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.555	47.709		.116	.909
	PDRB	.001	.001	.091	.705	.494
	UPAH	1,11E-02	.000	.061	.724	.483
	ANGKATAN KERJA	.898	.104	.923	8.656	.000

Figure 7. Partial t-Test

Source: SPSS Output

Based on the partial test (t-test) results, the Gross Regional Domestic Product (GRDP) variable does not have a significant effect on labor absorption in Jombang Regency because the significance value is greater than 0.05. This indicates that increases in regional economic output have not been able to optimally increase employment opportunities. Likewise, the minimum wage variable also does not have a significant effect on labor absorption because the significance value is greater than 0.05. This condition suggests that changes in minimum wage are not the main factor influencing firms' decisions in absorbing labor. Meanwhile, the labor force variable has a positive and significant effect on labor absorption because the significance value is less than 0.05. This finding indicates that increases in the labor force are able to encourage greater labor absorption and expand employment opportunities in Jombang Regency.

Discussion

Analysis of the Impact of Gross Regional Domestic Product (GRDP) on Labor Absorption

Based on the data processing results, the Gross Regional Domestic Product (GRDP) variable has no partial effect on labor absorption in Jombang Regency. This result indicates that it does not align with the research hypothesis; in other words, Hypothesis 1 is rejected. This is supported by research (Putri, Setyowati, and Rosyadi 2022) which states that Gross Regional Domestic Product (GRDP) does not have a significant effect on labor absorption.

Based on these results, the insignificant influence of Gross Regional Domestic Product (GRDP) on labor absorption can be explained through labor demand theory. According to neoclassical theory, labor demand is determined by a company's need for production factors, not solely by an increase in output. An increase in GRDP is not always followed by an increase in the workforce if the company prefers to use technology or capital. In Todaro's economic development theory, economic growth is not always inclusive of the workforce. An increase in GRDP can occur without creating new jobs if growth is dominated by sectors with high productivity but a minimum workforce. Thus, the results of this study indicate that economic growth in Jombang Regency, as reflected in GRDP, has not been able to significantly encourage labor absorption because it is not accompanied by an increase in labor demand.

In addition, labor market conditions in Jombang Regency may also contribute to the insignificant relationship between GRDP and labor absorption. The mismatch between labor qualifications and the needs of modern economic sectors can limit employment opportunities. Firms may prefer workers with specific technical skills, while the available labor force may not fully meet these qualifications. Consequently, economic growth alone is insufficient to significantly increase labor absorption without improvements in labor quality and workforce competitiveness.

Analysis of the Effect of Minimum Wage on Labor Absorption

Based on the data processing results, the minimum wage variable did not show a significant effect on labor absorption in Jombang Regency. This result is inconsistent with the research hypothesis, which stated that the minimum wage has a positive and significant effect on labor absorption. Therefore, it can be concluded that Hypothesis 2 in this study is rejected. This finding is supported by research (Setiawan 2025) which states that the minimum wage does not have a significant effect on labor absorption.

This aligns with neoclassical labor market theory, which states that wage levels influence firms' demand for labor. When the minimum wage increases, firms' production costs also increase, leading them to hold back or reduce their demand for labor. Under certain

conditions, minimum wage increases do not always have a significant impact on labor absorption, particularly if firms rely more on production efficiency through the use of technology or adjustments to other factors of production.

According to David Ricardo's classical wage theory, wage increases without a corresponding increase in labor productivity can depress firm profits. This situation discourages firms from expanding their workforce. The insignificant effect of the minimum wage on labor absorption in Jombang Regency indicates that wage changes are not yet a primary factor determining firms' decisions regarding labor absorption.

Analysis of the Influence of the Number of Labor Forces on Labor Absorption

Based on the results of the regression analysis, the workforce variable partially shows a positive and significant influence on labor absorption in Jombang Regency. The higher the workforce, the higher the labor absorption rate. This is supported by research (Putri et al. 2022) which states that the number of the workforce has a significant influence on labor absorption in Bali Province.

This is in line with the labor supply theory, which states that the workforce reflects the size of the labor force available in the labor market. The larger the workforce, the greater the potential labor force that can be absorbed by economic activities. Furthermore, according to the theory of labor supply and demand, an increase in the labor force will be followed by an increase in labor absorption if the demand for labor from the economic sector also increases. Therefore, the results of this study indicate that the increase in the labor force in Jombang Regency is able to encourage increased labor absorption, indicating that the labor market in the region is still able to absorb the additional available labor force.

CONCLUSION

The conclusion of this study is that Gross Regional Domestic Product (GRDP) has a negative effect on labor absorption in Jombang Regency, indicating that the increase in GRDP during the study period has not been able to increase the number of workers absorbed because economic growth tends to be dominated by capital-intensive or technology-based sectors, thus limiting their contribution to job creation.

The minimum wage has a negative effect on labor absorption in Jombang Regency, indicating that minimum wage increases tend to be followed by a decrease in the number of workers absorbed as businesses implement production cost efficiencies through workforce reductions, recruitment restrictions, or the use of more cost-effective technology.

The size of the labor force has a positive and significant effect on labor absorption in Jombang Regency, indicating that an increase in the labor force can encourage increased labor absorption because a larger labor force means a higher potential for economic activity, thereby opening up broader job opportunities in various sectors.

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