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Effect Of Minimum Wage and Number Of Hotels On Labour Absorption In Dumai City In 2012-2023

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Abstract: An increase in the tourism sector can increase income and employment in Dumai City. This A study was carried out to test and analyse the impact of the number of hotels and the minimum wage on employment in the city of Dumai in 2012-2023. This research was conducted in Dumai City, Riau Province with the tourism sector as the object of research. The research uses secondary data with a quantitative approach. Data from the Central Bureau of Statistics and the Dumai City Labour Bureau. Data analysis using SPSS software. The results of the study can be said that partially the number of hotels has no effect on employment while the minimum wage has a positive and significant effect on employment in Dumai City.

Keyword: Number of Hotel, Minimum Wage, Employment

INTRODUCTION

A nation's economic development and growth are significantly influenced by labor absorption. In terms of regional or national development, labor absorption is a significant concern. To go forward toward a better material and spiritual living state, the growth must represent a complete shift in a society or a systemic adjustment without disregarding the variety of fundamental needs and desires of individuals and social groupings that exist within. Currently, Indonesia's target lies in the field of tourism [1]. Where the tourism sector carried out by increasing local businesses in the tourism business and increasing the contribution of tourism in improving community welfare, especially in communities in tourist destination areas, by increasing the number of certified local workers (Wahyu dan Triani, 2023).

Dumai City is one of the cities also affected by Covid-19 so that the government implements various social restriction policies such as mobility restrictions, closure of business premises and distance learning. In addition, the tourism sector also experienced a decline when Covid-19 hit. However, as the recovery of activities subsided in 2021, economic development in Dumai City slowly began to recover (Fatkhullah dan Mulyani, 2024).

Table 1. List of GDP at constant prices

Business Field	GRDP at constant prices	
	2022	2023
Agriculture, Forestry, and Fisheries	1.353.308,06	1.378.765,08
Mining and Quarrying	79.578,24	83.595,62
Processing Industry	17.241.068,6	18.253.329,59
Electricity and Gas Procurement	82.598,92	82.991,31
Water Procurement, Waste Management, Waste and Recycling	4.787,35	5.494,51
Construction	2.502.103,89	2.756.162,91
Wholesale and Retail Trade; Repair of Cars and Motorcycles	4.202.233,9	4.472.739,04
Transportation and Warehousing	510.168,26	540.637,24
Provision of Accommodation and Drinking Food	181.306,44	191.156,71
Information and Communication	360.504,9	377.263,01
Financial Services and Insurance	307.308,22	317.259,29
Real Estate	119.365,05	124.232,65
Company Services	1.078,86	1.152,04
Government Administration, Defense and Compulsory Social Security	482.175,06	503.634,02
Education Services	114.003,35	119.608,27
Health and Social Services	53.089,96	56.886,89
Other Services	131.188,36	137.697,01
Gross Regional Domestic Product	2.772.5867,44	29.402.605,17

Source: BPS Dumai city,2024

According to the GRDP data above, although the processing industry activity is the highest, the GRDP is still much lower than several cities or districts in Riau Province. This is due to the lack of contribution of the tourism sector in the city's economic structure. The port, which should be an entry point or alternative air route, has not been optimally utilized (Yakup dan Haryanto, 2021).

However, processing industry activities in Dumai City have not been able to have a significant economic impact on the local community. The current circular economy is still extremely limited, and industrial workers mostly profit economically from Dumai City's abundant natural resources. Instead, they choose to spend their money in nearby cities like Pekanbaru, which are much larger and offer a wider variety of entertainment.

This has resulted in inequality and a widening social gap between migrants, industrial workers and local communities. Dumai-Pekanbaru Tollway to be built exacerbate the condition because it facilitates access to neighbouring cities. However, it also opens up new opportunities that allow travel to tourist destinations to be faster, more efficient and more comfortable, attracting domestic and international tourists. The construction of this toll road has enough appeal to attract travellers to visit the city of Dumai.

Tourism sector developments not only strengthens the relationship between industry and local communities but through tourism activities can also increase community income through tourist visits from outside the region. The flow of tourist visits is also a factor in helping the development of the tourism sector in an area [5]. With tourists visiting, it can indirectly have a positive impact on a region or country so as to create jobs and increase income or revenue.

Table 2. List of City Minimum Wages and Number of Hotels

Year	Minimum Wages(Rp)	Quantity (Unit)
2014	1.950.000	25
2015	2.200.000	26
2016	2.500.000	28
2017	2.655.372	35
2018	2.886.655	35

2019	3.118.453	36
2020	3.383.834	37
2021	3.383.834	40
2022	3.414.160	40
2023	3.723.278	37

Sumber: BPS Kota Dumai, 2024

The aforementioned table indicates that the minimum wage has been rising annually. In Dumai City, this salary increase is also accompanied by a rise in employment, demonstrating how wage increases can lead to job growth. The number of hotels above, it can be said that the number of hotels is still not optimal in Dumai City. Tourist visits are of particular concern because it is one of the benchmarks for investors to invest their money through development in various tourism supporting infrastructure sectors such as accommodation, restaurants, and tourist attractions which later the development is expected to create jobs for the community (Tulumang *et al.*, 2009). The role of the tourism sector is expected to be a driver of regional growth, creation of added value to natural or cultural resources, and improvement of welfare through the creation of business and employment opportunities. The following is the number of labour force in Dumai City.

Table 3. Total Labour Force 2021-2023

Employment	**2021**	**2022**	**2023**
Working Age Population (Population)	222.553	226.891	237.323
A. Labour Force	144.465	148.506	156.790
- Employed	135.381	140.509	148.710
- Open Unemployment	9.084	7.997	8.080
B. Non-labour Force (People)	78.088	78.385	80.533

Source: Statistics Indonesia, Sakernas August

From year to year, the number of people in Dumai City who have the potential to work continues to increase. Data shows that in August 2021, the labour force in Dumai City reached 144,465 people. This figure then increased to 148,506 people in August 2022, and continued to grow to 156,790 people in August 2023. This increase in the labour force indicates an increase in the availability of productive-age people who are ready and potentially economically active. This is certainly a driving force for economic growth in Dumai City. Furthermore, the availability of an abundant and qualified labour force is also a major attraction for investors to invest in this city.

In this study, the number of hotels and the minimum wage level have an impact on labor absorption. Research conducted by Asmara *et al.*, (2024) which studies the Effect of Minimum Wage on Labour Absorption in Indonesia in 2015-2020 which suggests that an increase in the minimum wage can affect people's purchasing power, resulting in increased demand and many companies entering the market so that the absorption of labour by the company will also increase. Research conducted by Nindita dan Dewi (2021) claims that the number of hotels has a favorable and noteworthy impact on Bali Province's labor absorption in the tourism sector. This is demonstrated by the rise in hotels and eateries that offer more job opportunities, particularly for local workers. The trade sector, hotels have a significant contribution to revenue and employment.

METHOD

This study aims to test and analyse the effect of minimum wage and number of hotels on employment in Dumai City, Riau Province in September 2024 until the research ends with the object of research in the Dumai City Tourism Sector. This study employs secondary data and

a quantitative methodology. Panel regression analysis is used to analyze quantitative panel data in this study. Timeseries and cross-sectional data are combined to create panel data. The panel data used is data from 2012-2023. In this study, it is quantitative panel data using panel regression analysis method. Panel data is a combination of data with timeseries and cross section data. The panel data used is data from 2012-2023. After the data is collected, data analysis is carried out where researchers use time series data analysis, Hypothesis testing, normalcy testing, descriptive analysis, and the traditional assumption test which is carried out using SPSS software.

RESULTS AND DISCUSSION

Descriptive Statistical Analysis Results

In this study, The mean and standard deviation of the research variables will be used by the descriptive statistical test to describe the data. The following table displays the test results:

Table 4. Results of Descriptive Analysis

Description	N	Minimum	Maximum	Mean	Std.Deviation
Number of Hotels	12	23	40	32,25	6,341
Minimum Wage	12	1287600	3723278	2666098,83	797837,828
Labour absorption	12	108704	148710	126447,25	13475,337
Valid N (Listwise)	12				

Regression Test Results on Time Series data

Time series or time series is an observation of one or more variables taken successively over a fixed time interval. Analysis on time series data uses data that is adrift by time, so that the correlation between current events and previous time periods will occur. In addition to the relationship between time series, there is also the possibility of a relationship between other dimensions such as regions or other dimensions that are interrelated. In this study, the regression analysis model using time series data was carried out with multiple regression analysis. The test results can be presented in the following table:

Table 5. Multiple Regression Analysis Test Result

Variables	Undstandardized Coefficients		T	Sig.
	B	Std. Error		
(Constant)	81481,528	8782,414	9,278	0,000
Number of Hotels	159,542	602,230	0,265	0,797
Minimum Wage	0,015	0,005	3,121	0,012

Based on the table above, The timeseries regression equation produced by this investigation can be deduced to be as follows :

$$Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_3 X_3 + e$$

$$\boldsymbol{Y = 81481,528 + 159,542 X_1 + 0,015 X_2 + e}$$

Keterangan :
Y = Labour absorption
X1 = Number of Hotels
X2 = Minimum Wage
a0 = konstanta
β1-β3 = Koefisien Regresi
e = *Error*

Normality Test Results

The purpose of the normality test is to ascertain if the study data is distributed regularly or abnormally. The Kolmogorov-Smirnov Z test with decision-making criteria is the normality

test employed in this study; if the sig value is less than 0.05, the distribution is not normal; if the sig value is greater than 0.05, the distribution is normal Ghozali (2018). The following table shows the test results:

Table 6. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		12
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	3995,67887
Most Extreme Differences	Absolute	0.136
	Positive	0.136
	Negative	-0.118
Test Statistic		0.136
Asymp. Sig. (2-tailed)		.200[c]

Autocorrelation test results

The purpose of the autocorrelation test is to determine whether residual errors in period t and prior mistakes in linear regression are correlated. It is referred regarded be an autocorrelation problem if there is a correlation (Ghozali, 2018) The following table shows the test results:

Table 7. Autocorrelation Test Results

R	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*	Durbin-Watson
.955[a]	0,912	0,893	4417,389	1,539

The Durbin-Watson (DW) value is 1.986, as can be shown from the preceding table using the DW test. The DW value is then between -2 < 1.986 < +2, or between the dL and dU values. We can conclude that there is no autocorrelation between one period and the prior period in this regression model.

Multicollinearity Test Results

The purpose of this multicollinearity test is to determine whether or not the independent variables in the regression model have a strong or perfect correlation with one another. According to Ghozali (2017) tolerance measures the variability of selected independent variables that are not explained by other independent variables. So, a low tolerance is the same as a high VIF value. The results are based on a tolerance value greater than 0.10 and a VIF value of less than 10 for each variable. The test results can be presented in the following table:

Table 8. Multicollinearity Test Results

Variabel	Collinearity Statistics		Keterangan
	Tolerance	VIF	
Number of Hotels	0.122	8.220	No Multicollinearity
Minimum Wage	0.122	8.220	No Multicollinearity

Heteroscedasticity test results

According to Ghozali (2017) Heteroscedasticity is the presence of different variable versions in the regression model. On the other hand, homoscedasticity occurs when the values of the variables' variations in the regression model are identical. Heteroscedasticity tests can be tested in various ways. The Glejser test is used in this study, where if the significance level passes 5% Consequently, heteroscedasticity is absent. In contrast, heteroscedasticity arises if the significance threshold is less than 5%. The following table displays the test results

Table 9. Heteroscedasticity Test Results

Variabel	Undstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	3520,450	4193,904		0,839	0,423
Number of Hotels	-211,304	287,586	-0,642	-0,735	0,481
Minimum Wage	0,002	0,002	0,940	1,076	0,310

Fisher (F) Statistical Test Results

In essence, the F test, also known as the simultaneous test, is used to ascertain if each of the independent variables in the model jointly influences the dependent variable. Examining the significant probability value is the approach taken. Ghozali (2018), states that the independent variables or independent variables combined will have a substantial impact on the dependent variable if the significant probability value is less than 5%. The following table displays the test results:

Table 10. Fisher's test results

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1821811927,851	2	910905963,926	46,681	.000[b]
Residual	175619946,399	9	19513327,378		
Total	1997431874,250	11			

Test Results of the Coefficient of Determination (R^2)

In essence, the coefficient of determination (R2) quantifies how well the model can account for the dependent variable. The range of the coefficient of determination is zero to one. A low R2 value indicates that the independent variable has a very limited ability to characterize the dependent variable. The test results can be presented in the following table:

Table 11. Coefficient Of Determination Test Result

R	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
.955[a]	0,912	0,893	4417,389

As can be observed from the above table, the adjusted R square value of 0.893 shows that the independent variables the number of hotels and minimum wages can account for 89.3% of the dependent variable, employment, with the remaining 11.7% being explained by variables not included in the regression model.

T Test Results

Independent variable's impact on the dependent variable is ascertained using the t test, often known as the t-test Ghozali (2017). This test is done with the t test, which is to compare t count with t table. The significant value of t at the α (0.05) level can also be used to perform this test. The comparison between significant t and significant 0.05 is the basis of the analysis

Table 12. Hypothesis Test Results

Variable	t-table	t-count	Sig.	result
(Constant)		9,278	0,000	
Number of Hotels	2.228	0,265	0,797	H1 Rejected
Minimum Wage	2.228	3,121	0,012	H2 Accepted

The t-test results can be described in the following discussion:

1. The Effect Of The Number Of Hotels On Labor Absorption

Based on the table, the t value is 0.265 with a significance value of 0.797. The results of this study show t count < t table (0.265 < 2.228) and a significance value greater than 0.05 (0.797 > 0.05). This means that the test results between the number of hotels on labor absorption do not have a significant effect. The significance level is 0.797 <0.05, which means that $_{H1}$ is rejected, thus it can be said that the variable number of hotels has no effect on employment in Dumai City. This shows that the increasing number of hotels does not encourage an increase in employment.

According to the study's findings, labor absorption is not significantly impacted by the growing number of hotels. This is due to the fact that the necessary labor does not meet the acceptable requirements, particularly in the hotel industry, where proficiency in foreign languages and knowledge of the industry are not generally held by the population. Furthermore, the expansion of hotels in Dumai City does not result in a significant labor absorption; rather, it only boosts tourism industry earnings. Tourists visiting Dumai City do not always stay overnight or need lodging, many only take day trips because of the easier access to the Dumai-Pekanbaru toll road (Candrasa,2022). This research compares with research conducted by Nindita dan Dewi (2021), Tulumang *et al.*, (2019).

2. The Effect Of Minimum Wage On Working Population

Based on the table, the t value is 3.121 with a significance value of 0.012. The results of this study show t count> t table (0.012> 2.228) and a significance value greater than 0.05 (0.012 < 0.05). This means that the test results between the minimum wage and employment have a significant effect. The significance level is 0.012 <0.05, which means$_{H2}$ is accepted, thus it can be said that In Dumai City, the minimum wage variable affects labour absorption.

When the minimum wage increases, it will affect labor supply. This is because the higher minimum wage makes the entrepreneur try to add or expand the unit in his business. the addition of the business will have an effect on labor absorption. If there is an increase in wages, it will increase purchases power so that it will encourage work enthusiasm and can increase work productivity. The purchasing power of the community that will increase will grow the demand for goods from entrepreneurs so that it can increase employment. Every year Dumai City experiences an increase in the minimum wage. The minimum wage can affect labor absorption because the minimum wage is an input to economic activity. This wage increase also affects people's purchasing power, thereby increasing demand. Demand increases so that companies also increase the amount of production. With an increase in production, the company will increase the number of workers used (Agustin,2020). This research is consistent with research carried out by Asmara *et al.*, (2024), Hasmawati *et al.*, (2021) dan Dwirainaningsih (2017).

CONCLUSION

The results of this study indicate that the number of hotels has no partially significant and positive effect on labour absorption in Dumai City, while the municipal minimum wage has a partially significant and positive effect on labour absorption in Dumai City. With the influence of the minimum wage, the government policy of Dumai City in increasing the minimum wage certainly has a huge impact on employment, this alternative is the right option to increase the employment of the city of Dumai. For further researchers, the results of this study can be used as comparison and reference material for research to be carried out, further research is expected to use and replace insignificant variables as well as add other variables.

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