WAGES, ECONOMIC GROWTH AND LABOUR DEMAND IN SOUTH SUMATERA PROVINCE INDONESIA

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Abstract: *The objective of this study is to investigate the effect of the Wages and Economic Growth on Labor demand in South Sumatra Province during the period of 2008 - 2013. The data used in this study is secondary data in the form of panel data (the combination of time series and cross section data). The time series data used are the annual data from the period of 2008 - 2013, whereas the cross section data used covering nine sectors of the economy. The sources of the data are the publications of the Central Bureau of Statistics and the Department of Manpower and Transmigration of South Sumatra Province. The method of data analysis is the panel data regression which has previously been tested by means of classical assumptions. The statistical tests used in this study are the determinant coefficient test (R^2), F test, and t test. The results of this study indicate that the wage has a positive but not significant effect on labor demand, whereas the economic growth has a significant and positive effect on labor demand in the Province of South Sumatra.*

Keywords: Wages, Economic Growth, Labor Demand

INTRODUCTION

Background

The labor issue is an issue that is very complex and large. Complex because the problem affects all at once is influenced by many factors interacting with patterns that are not always easy to understand. Great because it concerns millions of souls. To illustrate the problem of manpower in the future is not easy because of addition to basing on number of labor in the past, must also be known in future production prospects (Sholeh, 2007: 62).

Demand for labor by companies is a derived demand derived from the request of the community against the goods and services produced by these companies. The higher the demand for the goods and services against the community then the demand for labor will also increase and vice versa. This is because, employers hire someone to improve production of goods and services their organization (Simanjuntak, 1985: 74).

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Demand for labor is influenced by the level of wages. Awarding wage given by entrepreneurs considered the price of power that was sacrificed for the sake of production workers. Wages will affect the high to the low cost of production. Based on theory, high wage will make production costs increase, resulting in increased product prices. An increase in the price of the product an item lowers the demand for such goods. This condition is forcing manufacturers to reduce the amount of the resulting product, hereinafter can also reduce the demand for labor (Sumarsono, 2003: 106).

In addition to wages, labor demand was also influenced by economic growth. Every sector of the economy or changes in economic growth as a result of changes in production activity will affect the amount of labor used in the production process in the sector (Setiabudi, 2005: 2).

The economic growth of a region continues to experience increased, but on the other hand this increase is thus unable to absorb much manpower. So also with the rising minimum wage rate which is set above the level of wages of the average worker earned, are likely to cause employers reduce the use of labor so that the growth of labor absorption is reduced.

Based on the background that has been a staple of the problem, then describe the adaptation was "how is the influence of wages and economic growth on labor demand in South Sumatra Province"?. As for the purpose of this research was done untukmengetahui how wages and economic growth effect on labor demand in South Sumatra Province.

II. LITERATURE REVIEW

The theory of the labor demand

The request is a relationship between price and quantity. With respect to manpower, the demand is the relationship between the level of wages (the price of labor) and quantity (number of) labor desired by manufacturers who use such labour to be employed in a given period (Bellante and Jackson, 1990:25). This contrasts with consumer demand towards goods and services. People buy because it gives satisfaction (utility) to the buyer. While employers hire someone because it helps produce the goods for sale to the public (consumers). Therefore, the increase in the demand of employers against labor, depending on the increase in the demand for the goods that it manufactures the community will. Demand for labor as it is called derived demand (Simanjuntak, 1985:74).

The theory of Productivity says that production is the end result of the process or economic activity by making use of some of the input or input (Nicholson, 2003:50). While the productivity associated with the use of input in order to generate outputdalam production systems. If more output is generated by low-input, then it is called an increase in productivity. Further, Productivity theory is a theory that describes

the change in demand for labor caused by changes in the price of goods (Tarmizi, 2012:46). For example, the price of the final product is high while the capital was assumed to remain then the marginal revenue product of labor is also high and this will result in the number of the employed workforce was increased.

However, the demand for labor is not caused entirely by changes in prices of goods, but due to changes or improvements in technology. If there is a repair tech, assuming fixed capital is likely to occur, then there is a rise in total production is twice as much. As a result, the MRP will increase and the demand for labor will be shifted to the right. Otherwise, if produtivitas decreased then the demand for labor curve will shift to the left.

The labor demand curve with wage and labor W0 L0 (point a). Then wages went down from W0 to W1, output effects occur (changes number of manpower as a result of changes in the wage rate) so that the labor force increased to L1 (point b) (Figure 1).
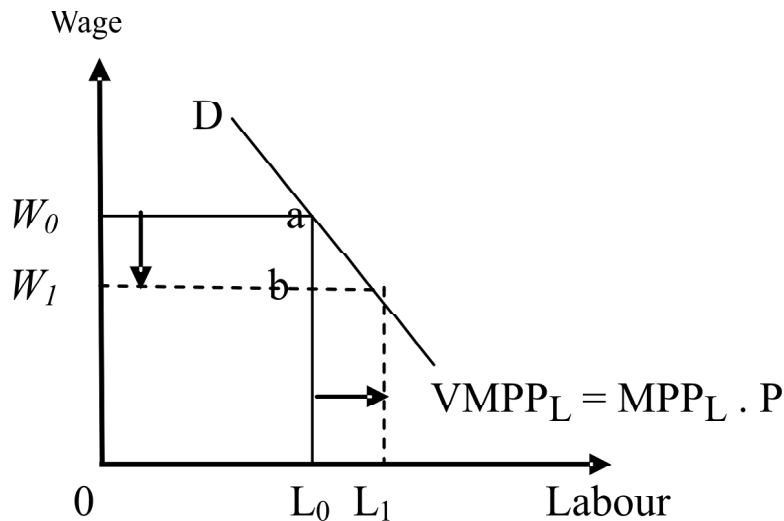

Figure 1: Labour Demand Curve

Source: Simanjuntak (1985: 75)

With regard to the addition of labor, employers will compare MR or the VMPPL and costs an extra wage for worker. These costs are the wages (W) or marginal cost (marginal cost). When the additional marginal acceptance (MR) or the VMPPL is greater than wages (W), then hiring an extra person is going to add to the advantage of employers. In other words in order to increase profits, businessmen always will continue to increase the number of workforce during the MR is greater than W.

Wages based on legislation (law) No. 13/2003 mentioned that the wages of workers/labourers are received and expressed in the form of money as a reward from the employer or employers to workers/workers who set up and paid out according to

an agreement, agreement, or other regulations, including allowances for workers/labourers and their families for a job and/or services that has been or will be carried out. Every worker/laborer has the right to earn a decent livelihood that satisfies for humanity (article 88 paragraph 1 No. 13/2003). Government policies on waging that protect workers/laborers include the minimum wage as that minimum wage is the lowest monthly wage which consists of the principal wage including allowances remains, apply to workers who have a working period of less than one year (article 13 paragraph 2 Kepmenakertrans No. 226/Men/2000).

The relationship of Wages with the absorption of the workforce the workforce is one of the factors of production employed in carrying out the production process. In the process of production labor earn income as retribution from the effort he has done i.e. wages. With respect to manpower, the demand is the relationship between the level of wages (the price of labor) and quantity (number of) labor desired by manufacturers who use such labour to be employed in a given period (Bellante and Jackson, 1990:25).

Ehrenberg (1998) also state when there is a rise in average wage rates, it will be followed by a decline in the amount of labor required. Instead, with the fall in the average wage level will be followed by increasing the amount of manpower required, so that it can be said that the demand for labor has a negative relationship with the level of wages.

Relationship between wage and labo demand

Labor is one of the factors of production used in carrying out the production process. In the process of production labor remuneration to revenues from businesses that have been done that is wages. With respect to labor, the demand is the relationship between the level of wages (price of labor) and quantity (amount) of workers desired by producers who use the manpower to be employed within a certain period (Bellante and Jackson, 1990: 25). According Sumarsono (2003: 105), the wage is defined as the amount of funds spent employers to pay workers for doing a job that is producing product. Wages continue to rise directly would bring a significant impact on the demand for labor, because with the increased level of wage employers will seek to improve or increase the number of its business units so that with the addition of a business unit, the employer will increase the number of its workforce.

Wage labor is the production costs incurred by the manufacturer. In the event of changes in wages, companies will respond by reducing or increasing the number of workers that will be used by the company. If labor costs go up, it will cause production cost will increase as well and will decrease the profit of the producer side. This will cause the manufacturer to the various alternatives that reduce the amount of labor demanded that employment will decrease (Tarmizi, 2012: 40). Ehrenberg (1998) in Zamrowi (2007) also states if there is a rise in the average wage level, it will be followed by a decrease in the number of labor demanded. Conversely, with the decrease in the

average wage will be followed by a growing number of labor demands, so it can be said that the demand for labor has a negative correlation with the level of wages.

A similar opinion was also expressed by Kuncoro (2001), where the quantity of labor demanded will decline as a result of wage increases. If the wage rate rises, while prices of other inputs fixed, meaning the price of labor is relatively more expensive than other inputs. The situation is encouraging employers to reduce the use of relatively expensive labor with other inputs are cheaper relative prices in order to maintain maximum profit.

Sumarsono (2003: 106) also explains that wage levels will affect the cost of production. The rise in the wage rate will increase the cost of production which in turn increases the price per unit of goods produced. Usually, consumers will respond quickly when there is an increase in prices, which is to reduce consumption or even no longer buy goods. As a result a lot of unsold goods and forced manufacturers cut output. The fall in production targets result in reduced labor needed. The fall in total demand for labor due to lower production scale is called the effect of production scale or scale effect. If wages rise (assuming the price of other capital goods does not change), the employers prefer to use capital-intensive technology for the production process, thus replacing the need for labor with capital goods such as machinery and others. The fall in the number of labor requirements for the replacement or addition of machines called the substitution effect of labor.

Relationshiop between economic growth and labor demand

Economic growth means an increase for goods and services produced by the economy in which the activity requires labor. According Simanjuntak (1985: 74), the increase in demand for goods and services by the community to make the demand for labor by business unit or enterprise is increasing, in this case there was an increase in employment and provide new employment opportunities. Therefore, the increase in employer demand for labor depends on the increase in public demand for goods in production.

Expansion of employment opportunities through economic growth can occur. Boediono (1999) in Pardi (2007: 2) points out, economic growth is the increase in output per capita is constant in the long term. The increase in output was the result of an increase in overall production activity. Increased production activity is part of the supply side. The expansion of employment will occur when the demand is also increasing. In other words, employment opportunities will be created when there is an increase in aggregate supply and demand side. To expand production capacity, one of the inputs needed is manpower.

Labor has a very important role in the activities of producing goods and services. Therefore, the rise and fall is determined by the productivity of workers. Economic development will take place and if coupled with economic growth due to the economic growth could stimulate the population to take part in economic activities. According

Feriyanto (2014: 86) that the good economic growth in a country can encourage manufacturers to increase their production capacity by holding a plant expansion, the expansion of the plant will be able to encourage employment is greater.

Ferdinand (2011: 11) states that the increased economic growth requires additional labor as a factor of production to meet the increased aggregate demand. Conditions such as these will mainly occur in the structure of the economy that have labor-intensive pattern. If the structure of the economy of a region is capital intensive, the economic growth will only increase capital requirements and will not absorb a lot of labor. A similar opinion was also expressed by Sianipar (2012: 2) where high economic growth will increase the capacity of a country/region to produce goods and services. By increasing the production capacity, the demand for factors of production such as labor will increase as well and create new employment opportunities. Creation of new employment opportunities will be able to absorb the labor force.

The above statement is also supported by research Stiabudi (2005: 2) which states that there is a positive relationship between economic growth and employment. Any change in the economic sector or the economy as a result of changes in production activity will affect the amount of labor used in the production process in the sector.

III. RESEARCH METHODS

This study analyzes the influence of the sectors wage and gross regional domestic product (GDP) against the sector labor absorption. Data are used in this research is secondary data in the form of the data panel. The data panel is a combination of data cross section and time series. Time series data used is the annual data from the years 2008-2013, while the data of cross section 9 covers the sectors of the economy. Data source derived from the publication of BPS and Regional labor Office of South Sumatra Province.

Analysis used in this research are descriptive in qualitative and quantitative techniques. A descriptive qualitative analysis with technology applies a variety of serving table and video is required, as well as with the hypothesis testing theory and analysis of the appropriate explanation to solve existing problems by using regression analysis of the panel data.

Model in this research:

$$LD_{it} = \alpha + \beta_1 Wage_{it} + \beta_2 GDPit + \varepsilon_{it} \tag{3.1}$$

where :

LA_{it} = Labor Demand, α = Constant, β_i (i = 1, 2) = Partial Regression coefficient, $Wage_{it}$ = Minimum sectoral wage, $GDPit$ = GDP in constant price,

I = row of economic sector, t = time period (year), and ε_{it} = error component in unit observation of unit observation to-i and period of time to-t

Parameter estimation model performed with data panel, where there are some techniques that are offered using some approaches as: Common Effect Approach/ OLS; Fixed Effect and Random Effect. Further, exmining the panel data estimation is using Chow test and Hausman test. Next step, it will examine the statistics test coefficient determination (R^2); *t test* and *F test are used.*

IV. RESULTS AND DISCUSSION

Research result

Labor Demand

Total population aged 15 years and over who worked in South Sumatra province in 2013 increased compared to 2008. In 2008 the working population as many as 3,191,355 people, while in 2013 increased to 3,464,620 million people, an increase positvely with an increase of 8.56 percentage percent. In the period 2008 - 2013 decreased labor demand in the primary sector, resulting in people working in the sector fell from 60.33 percent to 56.20 percent. Despite the decline, but the primary sector is still the largest contributor who is able to absorb the labor force with the percentage as much as 56.20 percent.

The primary sector, especially agriculture is still the choice of jobs people in this region with the percentage of 54.69 percent. This means that more than half the population of South Sumatra province to work in agriculture. This is because the agricultural sector is flexible and does not require high skills and the specific requirements of the other, and also South Sumatra Province is still classified as an agricultural area, where the South Sumatra province have local farms and plantations were quite extensive, such as the Muba, OKI , OKU Selatan, Lahat, and Pagar Alam. In contrast to the primary sector has decreased, the secondary and tertiary sector actually increased employment. In the secondary sector increased employment percentage from 8.74 percent in 2008 to 8.92 percent in 2013. Likewise, the tertiary sector who participate experience an increase in the percentage of employment of 30.94 per cent in 2008 increased to 34.88 percent in 2013.

Trend employment in South Sumatra province in 2008 - 2011 there was an increase, but in the year 2012 - 2013 employment showed a downward trend. The decrease in 2013 is due to the increase of fuel oil from Rp4,500/liter rose to Rp6,500/liter. For the business world, the increase in fuel prices provides a significant impact on the cost of production of goods and services. Raw material costs will also raise, soaring freight charges, coupled with employee demands for wage increases, which in turn makes the company's profit decline. In the end, a lot of companies that lay off employees to reduce input costs were higher as a result of the increase in the price of fuel oil.

Wage

The minimum wage is the lowest monthly wage consists of basic salary including fixed allowances. This wage applies to those who are single and have work experience

of 0-1 years, serves as a safety net, established by decision of the Governor on the recommendation of the Board Remuneration and is valid for 1 year running.

Wage labor is the production costs incurred by the manufacturer. In the event of changes in wages, companies will respond by reducing or increasing the number of workers that will be used by the company. If labor costs go up, it will cause production cost will increase as well and will decrease the profit of the producer side. This will cause the manufacturer to the various alternatives that reduce the amount of labor demanded that employment will decrease (Tarmizi, 2012: 40).

The development of sector minimum wages in the province of South Sumatra, which continued to increase from 2008 to 2013, the percentage increased positively with an average increase of 10.71 percent per year. The wage increase occurred because the cost of living worthy of increased prices due to economic needs have increased.

South Sumatra provincial government decision continue to enhance the sectors minimum wage are not separated by the rising prices of the annual cost of which is calculated on the basis of the determination of the minimum wage. In addition, the government should also take into account the increase in order not to complicate the businesses that will have an impact on productivity because it is difficult to pay its workers, so the government must be fair in setting decision.

Employment and minimum wage provinces showed the same trend. This means that there is a relationship between the provincial minimum wage and labor demand in the province of South Sumatra. However, in 2013 the provincial minimum wage increase but labor demands decrease. The increase in the provincial minimum wage that occurred in 2012 and 2013 decrease the employment of 3,532,932 people in 2012 decreased to 3.46462 million people in 2013, down -1.93 percent. The decline in employment in 2013 was attributed to the increase of fuel oil from Rp4,500 / liter rose to Rp6,500 / liter.

For the business, the increase in fuel prices provides a significant impact on the cost of production of goods and services. Raw material costs will also raise, soaring freight charges, coupled with employee demands for wage increases so as to make the company's profit decline. In the end, a lot of companies that lay off employees to reduce input costs were higher as a result of the increase in the price of fuel oil.

Proposed minimum wage submitted by wage boards is the result of a survey of the needs of life; single workers are regulated separately in the regulation of the minister of labor component, single workers living needs. In the latest provisions worker needs a single set in the Ministerial Manlabor Regulation number 13/2012 regarding the components and staging needs for decent living. Under this rule, the government set a Group 7 and 60 components workers need that became the basis for the price survey and determine the amount of the value of the minimum wage. Review of the magnitude of the Provincial Minimum Wage held once a year or in other words the minimum wage valid for one year.

Economic growth

There are nine economic sectors which can make up the value of GDP, namely agriculture, mining, manufacturing, electricity, gas and water supply, building or construction, trade, transport and communications, finance leasing and business services, and services. The economic structure of South Sumatra province in the period 2008 to 2013 is still dominated by primary sector or economic structure that is based on natural resources. This indicates that the contribution of the primary sector consisting of agriculture and mining and quarrying sector in the economy of South Sumatra province.

GDP donations for every sector of South Sumatra Province is used as one measure in the regional economy of South Sumatra province. If the contribution is relatively large so if there is little interference in this sector will lead to problems in the economy of South Sumatra province as a whole. Nevertheless, the sector with a small contribution cannot be ignored. Because there is the possibility of the sector have the potential to be developed and will be the mainstay of the region in the future. Another thing that is taken into consideration in determining the pattern of this economy is the fact the stages of economic growth in the course of an area (from the primary sector to the secondary sector and the tertiary sector).

The primary sector during the period 2008 - 2013 as the main base of the economy of South Sumatra Province donated the largest contribution with an average of 39.03%, while the secondary sector accounted for only 29.34% per year. While the tertiary sector accounted for 31.63% per year. If viewed as a time span from 2008 to 2013 shows that the economic structure in South Sumatra has not happened yet significant shift in the economic structure. Until the year 2013 the economic structure of South Sumatra Province is still dominated by primary sector comprising agricultural and mining sectors.

DISCUSSION OF RESULTS

Panel Data Regression Analysis

Panel data regression analysis was performed to identify the effect of wages and economic growth on labor demand in the province of South Sumatra.

Before further analyzing the influence of wages and economic growth on employment in the province of South Sumatra, test is conducted prior to the assumptions of regression models. After all the regression model assumptions are met, next steps is continued testing of our model to obtain the best estimation model.

Selection of Panel Data Estimation Model

Selection of panel data estimation model type is best used in the analysis was based on two trials, the Chow test and Hausman test. Chow test is used to decide whether to use common effect or fixed effect, while the decision to use a fixed effect or random effect is determined by the Hausman test.

Table 1
Chow Test Result

Redundant Fixed Effects Tests
Pool: CHOW_TEST:
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	**1808.01**	(8,43)	**0.00**
Cross-section Chi-square	314.34	8	0.00

Source: Processing Data

The decision in this test is to reject H0, if the probability value < α. If H0 is rejected, the fixed effect model is better than a common effect. The results show the value of 0.00 is smaller probability of $\alpha = 0.05$. Thus, H0 is rejected, and then the panel data estimation model used is the fixed effect better than common effect models.

The next step is to compare the fixed effect model and random effect with Hausman test. The decision to reject H0 is done by comparing the chi-square value. If the value $X^2 > X^2$ table then H0 is rejected so that the model used is the fixed effect, otherwise if no significant rejection of H0 is then used random effect.

Table 2
Hausman Test Result

Correlated Random Effects - Hausman Test
Pool: HAUSMAN_TEST
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	**1.24**	2	**0.54**

Source: Processing Data

Hausman test results obtained by value X^2 of 1.24 while the critical value of 5.991 chi square table, then the value of $X^2 < X^2$ table. Probability value of 0:54 > of á = 0.05. Thus, H0 is accepted, the panel data estimation model used is a model of random effect is better than the fixed effect model.

Based on the results of both thest, it has different conclusion. Test Chow said that the fixed effect model is better than the random effect models, while the Hausman test random effect said the model is better than the fixed effect model. Of the two models, only the fixed effect model that meets the classical assumptions, whereas the random effects models are not eligible for normality and autocorrelation problems occur. Thus, the method used in this research is the method of fixed effect.

Panel Data Regression Analysis

Sarwoko (2005: 9) states that the regression analysis to estimate the relationship between economic variables and foresee or predict the value of the dependent variable

(Y) based on the value of the independent variable (X). Analysis using regression techniques not only to determine how much influence the independent variable on the dependent variable and the working relationship (prediction) between variables can be known.

To find out how much influence wages and economic growth on employment in South Sumatra Province, then the analysis tools used in this study panel data regression analysis to provide more accurate results and shorten the time in the calculation.

Test the coefficient of determination (R2)

Based on the results of the regression calculation, it can be seen that the coefficient of determination (R^2) was 0.99. This means that a 99% change in the level of employment in the province of South Sumatra jointly able to be explained by the independent variables used in the model, namely wages and the GDP, while the remaining 1% is explained by other variables outside the model.

Table 3
Regression Model Result

Dependent Variable: TK
Method: Panel EGLS (Cross-section weights)
Date: 02/02/15 Time: 10:38
Sample: 2008 2013
Periods included: 6
Cross-sections included: 9
Total panel (balanced) observations: 54
Linear estimation after one-step weighting matrix

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	254235.6	18451.60	13.78	0.00
Wage	**0.003**	0.006	**0.45**	**0.66**
GNP	**0.016**	0.003	**5.33**	**0.00**
R-squared	**0.99**	Mean dependent var		353801.6
Adjusted R-squared	0.99	S.D. dependent var		289072.9
S.E. of regression	29588.01	Sum squared resid		3.76E+10
F-statistic	**1101.9**	Durbin-Watson stat		1.47
Prob (F-statistic)	**0.00**			

Sourcer: Data Processing

Regression model for labor demand with the fixed effect model are as follows:

$$LD = 254235.6+ 0.003\ Wage + 0.016\ GNP$$

The influence of wage towards labor demand

Wage has an positive but not significant influence to labor demand in South Sumatra province. The wage observed in this research was sectoral wage which is settled in every job sector and higher than minimum wage. As known that a minimum

wage was only valid to single worker who works as minimum one year. The coefficient of regression value was 0.003 meant increasing of one of wage would increase labor demand as 0.003 by assuming other factors were ceteris paribus, although this finding was opposite to research hypotheses. Positive relation between sectoral wage and labor demand was appropriated to Lewis theory. The highest wage offered in modern urban sectors the more recruited labor from traditional rural areas.

The results of the study it appears that wage variable regression coefficient is positive which means that the wage increase will increase the number of employment. This fact contradicts the theories and hypotheses of the study. The test results are in line with research Wicaksono (2009) and Fridhowati (2011) which indicates that wages positive effect on the employment sector. Increased revenue from the wage increase will increase the consumption of the labor force, thereby increasing aggregate demand. In the end, require additional labor as a factor of production to meet the increased aggregate demand.

A positive relationship between minimum wages and employment are accordanceing to the development model of Lewis. By Lewis model, the economy consists of two sectors, namely the traditional rural sector and the industrial sector in urban areas. The industrial sector has a high productivity level so that a degree of shelter workers who are transferred bit by bit from the traditional sector. The model emphasizes the transition process of labor, output growth and employment growth in the modern sector (Todaro and Smith, 2000). With the level of wages in the modern urban sector is higher, and then the employment providers can recruit more manpower than the traditional rural sector. In addition, it has positive correlation between sector minimum wages and labor demand. This can happen if the demand for labor in the aggregate have increased. Data show that in 2008 and 2013, labor demand has rise in the mining, power, construction, finance, and services. Based on these facts can be presumed that the increase in labor demand as a result of sector minimum wage increases due to the large increase in demand for labor in 5 (five) sectors.

The Influence of GNP to labor demand

GNP has a positive and significant influence to labor demand. it means that the higher of GNP would have an positive and sgnificant influence on labor demand in Souh Sumatra province. The regression's coefficient of economic growth as 0.02 meant one in increasing of GNP would enlarge the labor demand as 0.02 where other factors are ceteris paribus.

The increase in the GDP will increase economic growth. Increased economic growth has implication of the increased purchasing power of society. This course will increasingly lead the undertaking to increase its productivity to meet increased demand for goods and services. Ultimately making the demand for labor by business unit or enterprise field is increasing, in this case there was an increase in labor demand and provide new employment opportunities.

Most of economic sectors in the province of South Sumatra majority still dominated by labor-intensive sector, the one of the company's efforts to improve its productivity is to increase the amount of labor. This is certainly going to get a positive response from the labor market thus increasing the number of labor force that is absorbed in the jobs available. This condition can eventually reduce the unemployment rate.

The results of this study are consistent with the theory that shows the GDP rise will lead to increased employment. The results of this study are supported by a previous study conducted by Stiabudi (2005) and Cahyono (2012) which states that there is a positive correlation between the GDP with employment. Any change in the economic sector or the economy as a result of changes in production activity will affect the amount of labor used in the production process in the sector. In other words, if the output is produced rises, the number of people employed also rose. An increase in output can only be achieved if the input (labor) upgrade.

F test

The F-statistic is a test used to see independent variables consist of wages and the GDP collectively have significant affect on the dependent variable.

A probability value test results is smaller than á = 0.05. Thus, statistically we reject H0 and accept H1. It means jointly wages and economic growth can be explained by a significant level of employment in South Sumatra. Thus, in forcasting of the labor demand, factors of provincial minimum wage has been set for all regions in Indonesia and the rate of economic growth should be a concern, because these two factors will determine level of labor demand.

V. CONCLUSION AND REMARKS

Conclusion

Based on the results of research and discussion has been done, the research has several the following conclusions as:

a) The wage has a positive influence and insignificant against the labor demand in South Sumatra Province is indicated by the value of the regression coefficients of 0.007 and the value t calculate t < table (0.445 < 2,353). This shows that every increase of 1% on the wages of labor demand then will be increased by 0.007.

b) Economic growth has a positive and significant influence against the absorption of labor in South Sumatra Province is indicated by the value of the regression coefficients of 0.016 and t calculate > t table (5.328 > 2,353). This shows that every 1 increase in economic growth so the absorption of manpower will be increased by 0.016.

c) In addition, based on the testing coefficients of a determinant (R^2) and F-test statistics, to see that the relationship of the variables of economic growth and wage a direct and tangible effect against the absorption of labor as the dependent variable, it is indicated by the value of the determinant of the coefficient (R^2) of 0.99 and F calculate > F table or (1,101 > 3,18). Determinant of the coefficients (R^2) of 0.99 explains that variations wages and economic growth capable of explaining the variation of the absorption of the workforce amounting to 99 percent, and the remaining 1% are influenced by variables other than the model.

Suggestion

Based on the conclusions of the results of the above research, then the advice that can be given are as follows:

a) Determination of sectoral minimum wage standards by the Government of South Sumatra Province to be done precisely to limit certain wage levels so that the company does not feel aggrieved parties in the paid workforce. In this context, appropriate wage is not a wage guarantee workers is able to meet the needs of his life, but rather the proper wage based on labour productivity. Government as the last of the policy expected to provide protection to workers in order to get a reward in accordance with productivity.

b) The Government of South Sumatra Province should stimulate the potential form of agriculture sector because this sector is capable of absorbing a lot of labor. Policy measures that need to be done to support these potential sector is increasing and improving the quality of human resources through education and training to create a qualified workforce. In addition, sectors with small contributions can not be ignored. Because there is a possibility the sector had the potential to be developed and will be a mainstay of the region in the future.

c) For further research, is expected to also discuss the labor demand throughout the district and town in the province of South Sumatra, and should also include other variables such as investments that can affect the absorption of labour.

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