SCENARIO OF DETERMINING REGIONAL MINIMUM WAGE POLICY
AND THE IMPACTS TO LABOR INTENSIVE INDUSTRY IN
SURABAYA

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ABSTRACT

Manpower is an important asset for companies to develop their industry. In the implementation, companies get important contributions from their employees, so they need to appreciate them by giving an appropriate wage. In the Indonesian industry system, there is a regulation that regulates the minimum wage should be given to employees. It is called the regional minimum wage. Every year, minimum wage increases and it causes the increase of company's expenses. The increase of minimum wage impacts labor-intensive industries because this sector uses many employees. Labor-intensive industries give a positive contribution to the creation of new occupations because they are judged to be able to absorb large numbers of employees and contribute to the development of the industry in Indonesia (Koran-Jakarta, 2012). This research has the purpose of arranging scenarios for determining minimum wage policy in Surabaya by analyzing and modeling real systems to understand its impacts on the labor-intensive industry using system dynamics. From the simulation, there are three scenarios: 1) existing minimum wage with postponement and tax incentives for textile, leather, and footwear industries, 2) reducing the minimum wage by 10% and 20%, 3) adding the minimum wage by 10% and 20%. From the analysis, the first scenario shows the best result with high minimum wage with the increasing economic performance of Surabaya and tobacco, food, beverage industries, stability of manpower absorption, and minimizing the decrease of textile, leather, and footwear industry performance.

Key words: Minimum Wage, Labor Intensive Industry, System Dynamic, Policy Scenario.
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