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The Effect of Minimum Wages, Investment, and Regional Gross Domestic Product on Labor Absorption in West Nusa Tenggara 2010-2025

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ABSTRACT

Labor absorption is a key indicator of the success of regional economic development, as it reflects the economy's ability to provide employment opportunities for the productive-age population. This study aims to determine the effect of minimum wages, investment, and gross regional domestic product (GRDP) on labor absorption in West Nusa Tenggara from 2010 to 2025. Thus study employed obtained from the West Nusa Tenggara Central Statistics Agency (BPS), the West Nusa Tenggara Province Investment and One-Stop Integrated Service Office, and the West Nusa Tenggara Manpower and Transmigration Office. The result indicate that minimum wages and investment have a positive and significant effect an labor absorption. In contrast, GRDP has a positive but insignificant effect on labor absorption. Based on these findings, it is recommended that local government promote inclusive economic growth oriented toward job creation, maintain consistent minimum wage policies that support labor welfare and productivity, and direct investment to labor-intensive sector based on local potential to increase labor absorption sustainably.

Keywords:
Labor Absorption, Minimum Wage, GRDP, West Nusa Tenggara

INTRODUCTION

Regional economic development essentially aims to improve community welfare by expanding employment opportunities and improving the quality of life. One indicator of successful economic development is a region's ability to optimally absorb the labor force. However, employment issues remain a major challenge in many regions in Indonesia, including West Nusa Tenggara (NTB) Province. Continuous population and workforce growth is not always matched by adequate job availability, resulting in unemployment and underemployment. According to data from the Central Statistics Agency (BPS), Indonesia's Open Unemployment Rate (TPT) was recorded at 4.74 percent in 2025. While this figure represents a decrease compared to the previous year, this condition still reflects structural problems in the labor market, such as a mismatch between labor skills and industry needs, low labor productivity, and unequal employment opportunities across regions (BPS, 2025).

In development economics theory, labor absorption is considered a key indicator of the success of regional economic development because it reflects the economy's ability to create employment opportunities for the community. Population and labor force growth, on the one hand, can serve as development capital by increasing production capacity and expanding the domestic market. However, if this growth is not accompanied by increased investment, regional output growth, and expanded employment opportunities, it will create an imbalance in the labor market, leading to increased unemployment, poverty, and other social problems (Todaro & Smith, 2020, pp. 300–305). Sukirno (2016, pp. 63–67) explains that an increase in the workforce without a corresponding increase in job opportunities will create an excess labor supply, thus triggering unemployment. Furthermore, unemployment can lead to wasted human resources and hamper long-term economic growth (Case, Fair, & Oster, 2017, pp. 370–372).

West Nusa Tenggara Province has an economy still dominated by the primary sector, particularly agriculture, forestry, and fisheries, which are the largest labor absorbers. Furthermore, the trade, manufacturing, and tourism sectors are also starting to develop and contribute to increased employment opportunities. Regional development and investment in NTB have driven an increase in the workforce year after year. Statistics Indonesia (BPS) data shows that the working population in West Nusa Tenggara (NTB) increased from 2,132,933 in 2010 to 3,136,300 in 2025. However, unemployment remains volatile and has seen significant increases in certain years, particularly during the COVID-19 pandemic in 2020. This situation indicates that the increase in the workforce has not been fully matched by the economic sector's ability to provide adequate and sustainable employment.

One factor suspected of influencing labor absorption is the minimum wage. In labor economics theory, wages are the remuneration received by workers for their contribution to the production process. According to Sukirno (2005, p. 233), wages are payments received by workers for services rendered to employers. Meanwhile, Gilarso (2003, pp. 87–88) explains that wages are remuneration received by workers, whether in the form of salaries, honorariums, allowances, or other payments. The government has established a minimum wage policy as a form of protection for workers, ensuring they receive a decent income that meets their living needs. In West Nusa Tenggara Province, the minimum wage has continued to increase, from IDR 890,775 in 2010 to IDR 2,602,931 in 2025. The minimum wage increase is expected to improve public welfare and improve workers' purchasing power. However, on the other hand, wage increases can also increase companies' production costs, potentially influencing their decisions about recruiting new workers.

In addition to the minimum wage, investment is also a crucial factor in increasing employment. Investment is a key driver of economic activity because it creates production activity, expands business capacity, and opens up new job opportunities. Investment growth in West Nusa Tenggara has shown significant growth, particularly since 2022. Investment value, previously in the range of IDR 7 to 12 trillion, rose sharply to over IDR 59 trillion in

2025. This increase in investment demonstrates the high level of investment interest in West Nusa Tenggara, particularly in the tourism, mining, and infrastructure sectors. However, the significant increase in investment has not been fully matched by a proportional increase in employment. This indicates that some incoming investment is likely more capital-intensive than labor-intensive, making its contribution to employment relatively limited.

Another factor related to labor absorption is Gross Regional Domestic Product (GRDP). GRDP reflects the level of economic growth and activity in a region. The higher the GRDP, the greater the region's ability to produce goods and services, which ultimately can drive increased employment opportunities (Arsyad, 2010, pp. 23–27). Data shows that the GRDP of West Nusa Tenggara Province, at constant prices, increased from 70,122.73 billion rupiah in 2010 to 113,342.22 billion rupiah in 2025. However, this increase was relatively slower than investment growth. This condition indicates that high investment has not been fully able to optimally increase regional economic output.

The phenomenon of increasing investment and minimum wages not always accompanied by increased labor absorption indicates a lack of synchronization between regional economic policies and labor market conditions in West Nusa Tenggara Province. Furthermore, the tendency for GRDP growth to be slower than investment growth also raises questions about the effectiveness of investment in driving economic growth and job creation. Therefore, research into the impact of minimum wages, investment, and GRDP on labor absorption in West Nusa Tenggara Province is crucial. This research is expected to provide a more comprehensive picture of the factors influencing labor absorption and provide considerations for local governments in formulating more effective economic and employment development policies.

LITERATURE REVIEW

Labor

According to Law of the Republic of Indonesia Number 13 of 2003 concerning Manpower, Article 1 Paragraph 2, labor is defined as any person capable of performing work to produce goods and services, either to meet their own needs or those of the community. The definition of labor, according to the Central Statistics Agency (BPS, 2023), includes the population aged 15 years and over who are employed, have jobs but are temporarily unemployed, and those seeking work.

In classical theory, labor is viewed as one of the main factors of production, alongside capital and natural resources. Labor demand is determined by labor productivity, while labor supply is influenced by prevailing market wage rates.

Labor is viewed not only as the number of individuals available for work, but also as their quality, encompassing education, skills, technical competence, and health (Todaro & Smith, 2015: 52-54). This characteristic is crucial because labor quality determines productivity and a region's ability to increase production capacity. In line with Mincer's

(1974: 9) statement, labor is also seen as a form of human capital, capital that can be increased through education, training, and work experience.

According to Sukirno (2016: 222-224), labor absorption is the process of the working-age population entering production activities so they receive income as compensation for their contributions. According to Todaro (2000: 76-78), labor absorption is the acceptance of workers to perform their duties as intended or the existence of a situation that indicates the availability of workers or jobs for job seekers.

Labor Demand and Labor Supply

Labor demand is the number of workers willing and able to be hired by companies or businesses at a specific wage rate within a given time period. In economic theory, labor demand is

a derived demand, meaning that the demand for labor does not stem from the need for labor itself, but rather from the need to produce goods and services. Labor demand is derived because it depends on the demand for the goods and services produced by that labor (Mankiw, 2021: 392-394).

Labor supply is defined as an individual's willingness to offer their time for productive activities based on the prevailing wage rate. According to Borjas, labor supply is a decision about the combination of work and leisure time based on individual preferences regarding the utility derived from income and leisure (Borjas, 2016: 38-40). Meanwhile, Mankiw explains that labor supply reflects individual behavior in response to changes in wages and other economic incentives (Mankiw, 2016: 390).

Modern labor supply theory is heavily influenced by the neoclassical approach introduced by Alfred Marshall and further developed by contemporary economists. This theory states that the decision to work is a compromise between two primary choices: working for income (consumption) and enjoying leisure time (leisure). Each individual has a utility function that reflects preferences for these two components.

Minimum Wage

According to Government Regulation of the Republic of Indonesia Number 36 of 2021 concerning Wages, Article 1 explains that wages are the rights of workers/laborers received and expressed in monetary form as compensation from employers or employers to workers/laborers, determined and paid according to an employment agreement, consensus, or statutory regulations, including allowances for workers/laborers and their families for work and/or services performed or to be performed.

Meanwhile, Minister of Manpower and Transmigration Regulation No. 7 of 2013 concerning Minimum Wages explains that the minimum wage is the lowest monthly wage, consisting of basic wages and fixed allowances set by the governor as a safety net.

Minimum wage policy is an important instrument in industrial relations because it is directly related to worker welfare and business continuity. According to Payaman

Simanjuntak, the primary objective of setting the minimum wage is to provide economic protection for workers while still considering the company's productivity and capabilities.

In neoclassical economic theory, an increase in the minimum wage can reduce labor demand by increasing a company's production costs. However, efficiency wage theory explains that wage increases can increase worker motivation, loyalty, and productivity, thereby improving overall company efficiency.

Research by Jonatan Banurea (2022) found that the minimum wage had a positive and significant effect on labor absorption in Medan City. These results indicate that increasing the minimum wage can increase people's purchasing power and stimulate regional economic activity. However, research by Tiara Juliana Jaya and Kholilah (2020) showed that the minimum wage had a negative effect on labor absorption because wage increases increase company operational costs.

Furthermore, research by Nabilatus Solihah and Kukuh Arisetyawan (2025) showed that the minimum wage had a negative and significant effect on labor absorption in West Java. The differences in these research results indicate that the effect of the minimum wage on labor absorption is strongly influenced by the economic characteristics and industrial structure of each region.

Investment

Investment is spending on the purchase of capital goods aimed at increasing future production capacity. According to Keynesian theory, investment plays a crucial role in driving economic growth, increasing public income, and creating employment opportunities. Increased investment will encourage the development of new businesses and expand companies' production capacity, thereby increasing the need for labor.

In the context of regional development, investment is divided into Domestic Investment (PMDN) and Foreign Investment (PMA). Both types of investment make a significant contribution to regional economic development, particularly in creating jobs and increasing economic productivity.

Research by Devita Andri and Irmanelly (2021) shows that investment has a positive and significant impact on employment in Jambi City. The results demonstrate that increased investment can boost economic activity and open up new job opportunities. Research by Reviando Putra Tarigan Silangit and Avi Budi Setiawan (2025) also found that investment has a positive and significant impact on employment in Eastern Indonesia. These findings demonstrate that investment remains a key factor in expanding employment opportunities, particularly in developing regions.

Meanwhile, research by Siti Safi'atul Ummah and Ach. Yasin (2021) shows that investment has a positive and significant impact on labor absorption in Indonesia. This suggests that increased investment can boost production capacity and national economic activity.

Gross Regional Domestic Product (GRDP)

Gross Regional Domestic Product (GRDP) is the gross value added generated by all business units within a region during a specific period. GRDP is used as a primary indicator in measuring the level of regional economic growth. According to economic growth theory, increased economic output will increase demand for production factors, including labor. The higher a region's GRDP, the greater its economic capacity to create jobs and improve community welfare. However, the relationship between GRDP and labor absorption is strongly influenced by the region's economic structure. In capital-intensive sectors, increased output is not always accompanied by an increase in the workforce.

Research by Muhammad Kevin Kurnia Putra and Muhammad Arif (2023) shows that GRDP has a positive but insignificant effect on labor absorption in East Java. These results indicate that economic growth has not yet been able to optimally create jobs.

Research by Danik Firdania and Niniek Imaningsih (2026) also found that economic growth has no significant effect on labor absorption in East Java. This condition indicates the phenomenon of jobless growth, namely economic growth that is not accompanied by increased employment opportunities. Conversely, Jonatan Banurea's (2022) research found that GRDP had a positive and significant effect on labor absorption. These results indicate that increased economic activity can boost labor demand and expand job opportunities in the region.

RESEARCH METHODS

This study uses a quantitative approach with an associative approach. Associative research aims to determine the relationship or influence between two or more variables. This quantitative approach was used because this study analyzes the relationship between minimum wages, investment, and Gross Regional Domestic Product (GRDP) on labor absorption using numerical data and statistical analysis.

The study was conducted in West Nusa Tenggara Province over the observation period of 2010–2025. The research location was selected based on the consideration that West Nusa Tenggara Province is one of the regions experiencing significant investment and economic growth, but still faces challenges in labor absorption.

The type of data used in this study is secondary data in the form of annual time series for the period 2010–2025. Data were obtained from official publications of the West Nusa Tenggara Provincial Statistics Agency, the West Nusa Tenggara Provincial Investment and One-Stop Integrated Service Office, and the West Nusa Tenggara Provincial Manpower and Transmigration Office. The data used include the number of labor absorptions, the provincial minimum wage, investment realization, and the GRDP value at constant prices.

The dependent variable in this study is labor absorption (Y), which is the number of employed residents in West Nusa Tenggara Province. The independent variables are the minimum wage (X1), investment (X2), and Gross Regional Domestic Product (GRDP) (X3). The minimum wage is measured using the Provincial Minimum Wage (UMP) in rupiah. Investment is measured based on the total realization of Domestic Investment

(PMDN) and Foreign Investment (PMA). Meanwhile, GRDP is measured using the GRDP value at constant prices, reflecting real regional economic growth.

The data analysis method used is multiple linear regression analysis to determine the effect of the independent variables on the dependent variable. The regression equation model used in this study is as follows:

$$Y_t = \beta_0+\beta_1X1_t+\beta_2X2_t+\beta_3X3_t+\epsilon_t$$

Where:

Y_t : Labor Absorption in year t (in people)
$X1_t$: Minimum Wage in year t (in rupiah)
$X2_t$: Investment Value (PMDN + PMA) in year t (in rupiah)
$X3_t$: GRDP in year t (in billions of rupiah)
β_0 : Constant
$\beta_1, \beta_2, \beta_3$: Regression coefficients for each variable
ε_t : Error term

Prior to conducting the regression analysis, classical assumption tests were first performed, including normality, multicollinearity, heteroscedasticity, and autocorrelation tests. The normality test was conducted to determine whether the data were normally distributed. The multicollinearity test was used to determine the relationship between independent variables. The heteroscedasticity test aimed to determine whether there was inequality in residual variances, while the autocorrelation test was used to determine the correlation of residuals between observation periods.

Next, hypothesis testing was conducted, consisting of partial tests (t-tests), simultaneous tests (F-tests), and coefficients of determination (R^2). The t-test was used to determine the effect of each independent variable on labor absorption partially. The F-test was used to determine the effect of all independent variables simultaneously on the dependent variable. Meanwhile, the coefficient of determination was used to measure the ability of the independent variables to explain variation in the dependent variable.

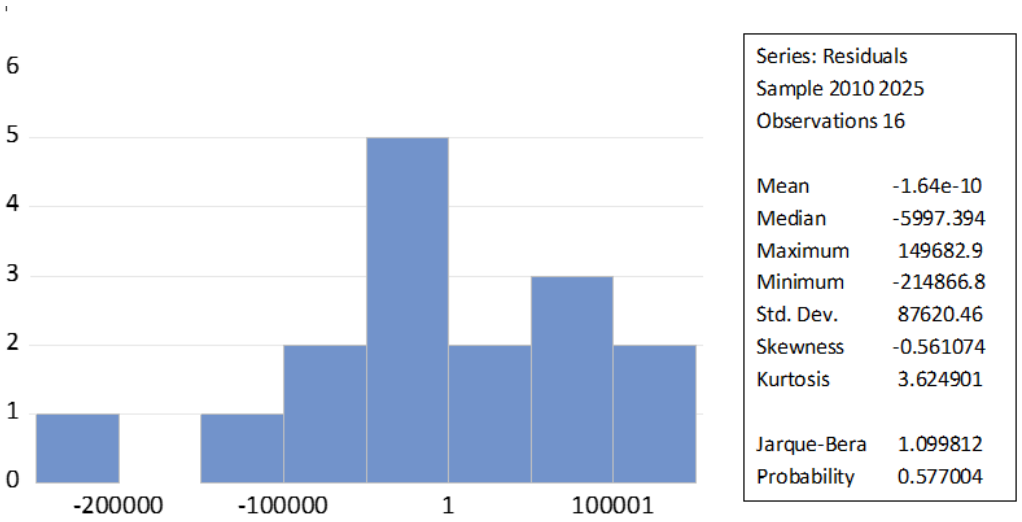
Data processing in this study was performed using EViews software, so that the analysis results can be used to explain the relationship between minimum wages, investment, and GRDP on labor absorption in West Nusa Tenggara Province.

RESULTS AND DISCUSSION

RESULTS

Normality Test

Table 1. Normality Test Results



The Jarque-Bera test results on the residuals show a statistical value of 1.099 with a probability (p-value) of 0.577. This probability, which is much greater than the general significance level of 0.05, indicates that the residuals do not have sufficient evidence to reject the null hypothesis. Therefore, from a normality perspective, the classical assumptions in statistical modeling are met for these residual data (Ghozali, 2018; Gujarati & Porter, 2012).

Multicollinearity Test

Table 2. Multicollinearity Test Results

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	6.08E+10	101.3781	NA
UM	0.015901	86.43305	8.536086
INV	4.868154	4.523569	2.389562
PDRB	21.80726	300.1531	8.180935

The Centered VIF values obtained ranged from 2.389 to 8.536. Generally, the VIF threshold often used to detect severe multicollinearity is 10. Since all centered VIF values are below 10, there is no indication of serious multicollinearity among the independent variables in this model. This statement is concluded from the Tolerance and VIF values obtained that meet the requirements (tolerance > 0.1 and VIF < 10).

Heteroscedasticity Test

Table 3. Heteroscedasticity Test Results

Heteroskedasticity Test: White

Null hypothesis: Homoskedasticity

F-statistic	0.504551	Prob. F(9,6)	0.8289
Obs*R-squared	6.892668	Prob. Chi-Square(9)	0.6483
Scaled explained SS	5.088535	Prob. Chi-Square(9)	0.8265

Based on the results of the heteroscedasticity test conducted using the White test method, it can be concluded that the regression model used meets the assumption of homoscedasticity. This is evidenced by the probability value (p-value) of the F-statistic of 0.828 which is greater than the significance level of 0.05, thus failing to reject the null hypothesis stating that the residuals are homoscedastic. Similar results are also shown by the Lagrange Multiplier test (Obs*R-squared) with a Chi-Square probability of 0.648 and the Scaled explained SS test which has a probability of 0.826, both of which are also insignificant at the 5% level. Thus, there is insufficient statistical evidence to indicate the presence of heteroscedasticity problems in the model.

Autocorrelation Test

Table 4. Autocorrelation Test Results

Breusch-Godfrey Serial Correlation LM Test:

Null hypothesis: No serial correlation at up to 2 lags

F-statistic	0.490982	Prob. F(2,10)	0.6260
Obs*R-squared	1.430658	Prob. Chi-Square(2)	0.4890

Based on the results of the serial autocorrelation test using the Breusch-Godfrey Serial Correlation LM Test method at lag 2, it can be concluded that the regression model does not show any significant autocorrelation problems. This can be seen from the probability value (p-value) of the F-statistic of 0.626 and the Chi-Square probability for Obs*R-squared of 0.489, both of which are greater than the significance level of $\alpha = 0.05$. Thus, the null hypothesis stating that there is no autocorrelation up to lag 2 fails to be rejected. These results indicate that the residuals of the model are independent or uncorrelated across time, so that the classical assumption of linear regression regarding non-autocorrelation can be accepted.

Multiple Linear Regression Analysis

Table 5. Multiple Linear Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1451046.	246588.3	5.884486	0.0001
UM	0.301724	0.126101	2.392715	0.0340
INV	10.01732	2.206389	4.540141	0.0007
PDRB	3.206592	4.669824	0.686662	0.5053

R-squared	0.948782	Mean dependent var	2418021.
Adjusted R-squared	0.935977	S.D. dependent var	387161.7
S.E. of regression	97962.65	Akaike info criterion	26.03488
Sum squared resid	1.15E+11	Schwarz criterion	26.22803
Log likelihood	-204.2790	Hannan-Quinn criter.	26.04477
F-statistic	74.09686	Durbin-Watson stat	1.579854
Prob(F-statistic)	0.000000		

From the table above, the following linear equation is created:

$$Y = 1451046 + 0.3017UM + 10.0173INV + 3.2065GRDP$$

Y : Labor Absorption (number of people)
UM : Minimum Wage (rupiah)
INV : Investment (Billion Rupiah)
GRDP : GDP (Billion Rupiah)

The interpretation of the estimation results is as follows:

1. The constant value of 1,451,046 indicates that if all independent variables, namely the minimum wage, investment, and GRDP, are assumed to be zero, then the estimated employment rate is 1,451,046 people.
2. The Minimum Wage Coefficient (X_1) of 0.301 indicates that every Rp1 increase in the minimum wage will increase employment by 0.301 people, assuming investment and GRDP variables remain constant.
3. The Investment Coefficient (X_2) of 10.017 indicates that every Rp1 billion increase in investment will increase employment by 10,017 people, assuming other variables remain constant. Operationally, this can be interpreted as an analysis of the Rp1 billion increase in investment, meaning that operationally, this policy has the potential to absorb approximately 10.017 additional new workers.
4. The coefficient of the GRDP variable is 3.206592 with a probability value of 0.5053 (> 0.05). A positive coefficient value indicates that GRDP has a direct relationship with labor absorption. This means that every 1 unit increase in GRDP will increase labor absorption by 3.206592 units, assuming other variables remain constant (ceteris paribus).

Hypothesis Test (t-Test)

Table 6. t-Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1451046.	246588.3	5.884486	0.0001
UM	0.301724	0.126101	2.392715	0.0340
INV	10.01732	2.206389	4.540141	0.0007
PDRB	3.206592	4.669824	0.686662	0.5053

From the table above, we can conclude:

1. Hypothesis 1 Test (Minimum Wage on Labor Absorption)
   The Minimum Wage variable has a coefficient of 0.301724 with a probability value of 0.0089 (<0.05). This indicates that the minimum wage has a positive and significant effect on labor absorption. Therefore, H_0 is rejected and H_a is accepted, meaning that the minimum wage has a partial significant effect on labor absorption in West Nusa Tenggara Province.
2. Hypothesis 2 Test (Investment on Labor Absorption)
   The investment coefficient is 10.01732 with a probability value of 0.0007 (<0.05). This indicates that investment has a positive and significant effect on labor absorption. Therefore, H_0 is rejected and H_a is accepted, meaning that investment has a partial significant effect on labor absorption in West Nusa Tenggara.
3. Hypothesis Test 3 (GRDP on Labor Absorption)
   The GRDP variable has a coefficient of 3.206592 with a probability value of 0.5053 (>0.05). This indicates that GRDP has a positive but insignificant effect on labor absorption. Therefore, H_0 is accepted and H_a is rejected, meaning that GRDP has no significant partial effect on labor absorption.

Simultaneous Significance Test (F Test)

Table 7. F Test Results

R-squared	0.948782
Adjusted R-squared	0.935977
S.E. of regression	0.97962.65
Sum squared resid	1.15E+11
Log likelihood	-204.2790
F-statistic	74.09686
Prob(F-statistic)	0.000000

The estimation results show that the F-statistic value is 74.096 with a Prob(F-statistic) of 0.000000. This probability value is less than 0.05, so H_0 is rejected and H_1 is accepted.

Thus, it can be concluded that Minimum Wage (X_1), Investment (X_2), and GRDP (X_3) simultaneously have a significant effect on labor absorption.

Coefficient of Determination (R2)

Based on the regression model estimation results, the R-squared value of 0.9487 indicates that 94.87 percent of the variation in labor absorption can be explained by the Minimum Wage, Investment, and GRDP variables in the research model. This value indicates the model's very strong explanatory power, as most of the changes in labor absorption can be explained by the independent variables used. Meanwhile, the Adjusted R-squared value of 0.9359 indicates that after adjusting for the number of variables and degrees of freedom, 93.59 percent of the variation in labor absorption can still be explained by the model. While the remaining 6.41 percent is influenced by other factors outside the model, such as average tenure, the Community Development Index, the Technology Index, and Education Level.

DISCUSSION

The Effect of Minimum Wages on Labor Absorption

The results of the regression analysis indicate that the minimum wage has a positive and partially significant effect on employment. This finding indicates that an increase in the minimum wage in the study area statistically significantly increases the number of workers employed, assuming other variables in the model are held constant. Therefore, minimum wage policy plays a significant role in the dynamics of the regional labor market.

These research findings align with efficiency wage theory, which states that providing wages higher than the subsistence minimum can increase labor productivity by improving employee motivation, health, and loyalty (Akerlof & Yellen, 1986). This increased productivity enables companies to achieve greater output, thus encouraging business expansion and increasing labor demand. In this context, an increase in the minimum wage does not necessarily reduce employment opportunities; instead, it can encourage employment if accompanied by increased productivity.

The results of this study are also in line with empirical findings from Banurea (2022), Silangit and Setiawan (2025), Firdania (2026) and Andri (2021), and Hermawati and Irawan (2024) which state that minimum wages have a positive and significant effect on labor absorption.

The Effect of Investment on Labor Absorption

The results of the study indicate that investment has a positive and partially significant effect on labor absorption. This is reflected in the positive investment regression coefficient and a significance level well above the 5 percent level. Therefore, statistically, increased investment can explain changes in labor absorption. This finding indicates that the large amount of investment entering a region is automatically followed by an increase in the number of workers absorbed, especially if the investment structure is oriented towards job

creation. From a Neoclassical Economic perspective, investment plays a crucial role through the mechanism of capital accumulation, which is the primary source of economic growth. Robert Solow, in his Solow growth model, explains that increased investment will increase the capital stock, which ultimately increases output and labor productivity. With increased production capacity due to investment in machinery, infrastructure, and technology, companies tend to expand, followed by an increase in demand for labor (Todaro & Smith, 2011).

Furthermore, according to Mankiw (2019), investment not only increases production capacity but also creates new job opportunities, both directly and indirectly. Directly, investment creates jobs through the establishment of new business units or the expansion of existing ones. Indirectly, investment creates a multiplier effect, where increased activity in one sector drives growth in other related sectors, such as trade, transportation, and services.

The results of this study also align with empirical findings from Jaya and Kholilah (2020), Silangit and Setiawan (2025), Andri and Irmanelly (2021), Ummah and Yasin (2021), and Prihatini, Wibisono, and Wilantari (2020), which indicate that investment has a positive and significant impact on employment.

The Effect of GRDP on Labor Absorption

The results of this study explain that GRDP, partially, has an insignificant positive effect on labor absorption. From a neoclassical theoretical perspective, as proposed by Robert Solow, economic growth is determined not only by labor, but also by capital accumulation and technological progress. This model asserts that increases in output (GRDP) can occur without a proportional increase in labor utilization if growth is driven by capital and technological investment (capital-intensive). Therefore, when a region's economic structure is dominated by capital-intensive sectors, increases in GRDP do not significantly increase labor absorption. This aligns with the view of Todaro and Smith (2015), who stated that economic growth in developing countries is often not accompanied by adequate job creation.

Within the Keynesian theoretical framework pioneered by John Maynard Keynes, employment levels are strongly influenced by effective aggregate demand. Increases in GRDP do not automatically increase labor absorption if demand for goods and services is not strong enough to drive production expansion that requires additional labor. In other words, even if output increases, if it is not accompanied by an increase in labor demand, its impact on labor absorption will be insignificant.

Furthermore, this phenomenon can be explained through the concept of jobless growth, a condition where economic growth is not accompanied by increased employment opportunities. According to the International Labour Organization (2014), this generally occurs when sectors driving growth have low labor elasticity, such as mining and technology-based industries. In the context of a region like West Nusa Tenggara, the mining

sector's relatively large contribution to GRDP has the potential to lead to non-inclusive growth because the sector tends to be capital-intensive and absorbs a limited workforce.

The results of this study also align with research by Kevin and Arif (2023) that found GRDP has a positive but insignificant effect on labor absorption.

The Effect of Minimum Wage, Investment, and GRDP on Labor Absorption

The results of this study indicate that these three independent variables collectively play a significant role in explaining variations in labor absorption. Therefore, changes in Minimum Wage, Investment, and GRDP collectively influence a region's ability to create employment opportunities. This simultaneous significance also indicates that the regression model used has a good level of fit and is relevant for analyzing factors influencing labor absorption.

These results align with the theory of economic growth and employment, which states that labor absorption is not determined by a single factor, but rather by a combination of economic policies and regional macroeconomic conditions (Todaro & Smith, 2015). Economic growth, reflected in increased GRDP, will create new jobs, while wage and investment policies determine the quality and sustainability of that labor absorption. Therefore, the simultaneous significance of Minimum Wage, Investment, and GRDP indicates that efforts to increase labor absorption must be integrated through balanced wage policies, targeted investment management, and inclusive regional economic growth strategies.

These results are also in line with empirical research by Jaya and Kholilah (2020), Banurea (2022), Silangit and Setiawan (2025), Ummah and Yasin (2021), and Puta and Ari (2023) that minimum wages, investment, and GRDP simultaneously have a positive and significant effect on labor absorption in Indonesia.

CONCLUSION

Conclusion

Based on the results of the research analysis conducted on the influence of Minimum Wages, Investment, and GRDP on Labor Absorption in West Nusa Tenggara, the following conclusions can be drawn:

1. The analysis shows that the minimum wage has a positive and significant effect on labor absorption in West Nusa Tenggara, meaning that a higher minimum wage will increase labor absorption in West Nusa Tenggara.
2. The analysis shows that the investment has a positive and significant effect on labor absorption in West Nusa Tenggara, meaning that an increase in investment value is directly followed by an increase in labor absorption in West Nusa Tenggara.
3. The analysis shows that the GRDP has a positive but insignificant effect on labor absorption in West Nusa Tenggara, meaning that an increase in GRDP has not significantly increased the number of workers absorbed during the study period.

4. Simultaneously, the F-test results indicate that the Minimum Wage, Investment, and GRDP together have a significant effect on labor absorption. This indicates that the three variables collectively have an important role in explaining the dynamics of labor absorption in West Nusa Tenggara, so that the regression model used is considered appropriate and relevant for employment analysis.

Recommendations

Based on the conclusions of the research results regarding the influence of Minimum Wages, Investment, and Gross Regional Domestic Product (GRDP) on labor absorption, the following recommendations can be put forward:

1. Regional governments are advised to maintain and optimize minimum wage policies as a strategic instrument for workforce development. Minimum wage increases have been shown not to hinder labor absorption but, rather, encourage increased employment opportunities, indicating that wage policies in West Nusa Tenggara are at a level that is still acceptable to the business sector. Furthermore, this also demonstrates that minimum wage policies in West Nusa Tenggara Province can be used as a policy instrument to support inclusive economic growth, where improvements in worker welfare go hand in hand with increased labor absorption. Therefore, regional governments are expected to continue to maintain consistent wage policies that are oriented towards welfare, labor market stability, and the sustainability of regional economic development.
2. Regarding investment, regional governments need to optimize the direction and quality of incoming investment, rather than solely focusing on increasing the nominal value of investment. The West Nusa Tenggara Provincial Government needs to conduct a comprehensive evaluation of the effectiveness of incoming investment, considering that research shows that despite a dramatic increase in investment value from IDR 3.85 trillion in 2010 to IDR 59.19 trillion in 2025, Gross Regional Domestic Product (GRDP) growth has not increased commensurately. This imbalance indicates a gap between the amount of invested capital and its contribution to real regional output. Therefore, the government needs to review which sectors are targeted for investment and the extent to which these investments can stimulate the local supply chain and create added value in the West Nusa Tenggara region. Furthermore, considering that the investment regression coefficient is 10.017, meaning that every IDR 1 billion increase only employs approximately 10 people, the government needs to encourage investment in the form of business partnerships with cooperatives and local micro, small, and medium enterprises (MSMEs). This multiplier effect of investment can be more widely felt by the wider community through increased economic activity in the informal and semi-formal sectors, which currently employ the majority of the workforce in West Nusa Tenggara.
3. Regional governments are advised to continue promoting sustainable and inclusive regional economic growth as a primary strategy for expanding employment opportunities. Increasing GRDP has been shown to increase labor demand, therefore,

economic development policies need to be directed at strengthening productive sectors that significantly contribute to job creation. The results of this study also indicate that GRDP can be used as a primary indicator in formulating employment policies, so that each economic development program should be evaluated not only based on its contribution to output growth but also on its ability to absorb labor. With this approach, regional economic development in West Nusa Tenggara Province is expected to improve community welfare broadly and sustainably.

4. For future researchers, it is recommended to expand this study by adding other variables that could potentially influence labor absorption, such as education level, human resource quality, technology, economic sector, and labor policies. Furthermore, the use of a longer time period or other methodological approaches, such as panel data models or sectoral analysis, is expected to provide a more comprehensive picture of the factors influencing labor absorption.

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