Analysis of the implementation of the minimum wage policy in Batu city

Wahyu Hidayat Riyanto [a,1], Muhammad Firmansyah [a,2,*], Zainal Arifin [a,3]

[a] Department of Economic Development, Faculty of Economic and Business, University of Muhammadiyah Malang, Indonesia
[1] wahyuhidayat@umm.ac.id; [2] firmansyah92@umm.ac.id*; [3] zainalarifin@umm.ac.id

* corresponding author

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ABSTRACT

A minimum wage policy is essential to maintaining economic stability and encouraging growth. A well-implemented minimum wage can increase employment opportunities and support industrial growth. Therefore, policymakers must consider local economic conditions and industry characteristics when setting minimum wage levels. This study analyzes the implementation process of minimum wage policy in Batu city. In addition, this study also identifies the impact of the policy on worker welfare and economic dynamics and evaluates the challenges and opportunities in implementing the minimum wage policy. This study is qualitative. Data analysis in this study uses a flow model validated through triangulation techniques to ensure accuracy and reliability. The results of this study indicate that 46% of employers comply with the minimum wage policy in Batu City. Workers who receive wages according to the minimum wage positively impact worker welfare; for the MSME category, entrepreneurs in the production and tourism sectors feel that minimum wage changes every year do not affect their ability to pay workers. Therefore, the Batu City government must actively disseminate the minimum wage policy with more optimal supervision.

1. Introduction

Minimum wages are an important economic tool for cities and districts, affecting workers' welfare and the wider economic landscape. They balance workers' and employers' interests, impacting employment levels, income distribution, and economic growth. The importance of minimum wage policies is underlined by their ability to improve workers' living standards while influencing local economic dynamics. Minimum wage policies are critical to maintaining economic stability and fostering growth. Factors such as Gross Regional Domestic Product (GRDP) and per capita income significantly influence minimum wage levels, suggesting that well-structured minimum wages can support economic growth by ensuring equitable income distribution (Putri & Aisyah, 2024). Minimum wages positively impact labor absorption in the industrial sector. This shows that if minimum wages are implemented properly, they can increase employment opportunities and support industrial growth (Rakhmawati & Boedirochminarni, 2018). The minimum wage also at the crossroads of conflicting interests between workers and employers. If not managed carefully, it can cause tensions in industrial relations, potentially affecting economic conditions at the city or district level (Ahmat et al., 2019).

While minimum wage policies are critical to economic stability and growth, they must be carefully calibrated to balance the interests of workers and employers. Minimum wages that are too high can lead to reduced employment opportunities, especially in sectors with tight profit margins. Therefore, policymakers must consider local economic conditions and industry characteristics when setting

minimum wage levels to ensure they support rather than hinder economic development. Local governments play a critical role in setting and implementing minimum wage policies, acting as key stakeholders in ensuring fair compensation for workers. Their involvement is critical in addressing regional economic disparities and improving the welfare of low-income workers. This multifaceted role involves legislative, administrative, and collaborative efforts with various stakeholders. Local wage councils, as seen in Malang City, Indonesia, play a critical role in the planning and recommendation stages of minimum wage setting. They serve as a forum for communication and negotiation between employers, workers, and government representatives (Rohmawati, 2014).

local governments are critical in setting and implementing minimum wages, they face challenges such as balancing economic growth with fair wage practices and managing diverse stakeholder interests. The success of these policies often depends on the ability to foster effective communication and collaboration among all parties involved. The government also has a regulatory role, ensuring compliance with minimum wage laws. Oversight of these regulations is essential to protect workers' rights and ensure that minimum wage policies effectively improve workers' welfare (Aysah, 2024). Research on minimum wage policies in various districts and cities highlights diverse socio-economic conditions and challenges. These studies focus on the implementation, effects, and stakeholder dynamics surrounding minimum wage policies, providing insights into the local context of these regions. Asmara et al (2024) states that higher wages can incentivize labor market participation or improve job quality from 2015 to 2020 and the effect of minimum wages on labor absorption also occurs due to other factors such as investment, economic growth, and education. Ummah & Yasin (2021) found that minimum wages, together with investment and technology, significantly affect labor absorption, accounting for 99.82% of the variance in employment rates.

Implementing the minimum wage policy is generally effective regarding communication and disposition. However, resource allocation and bureaucratic structure challenges remain, as the local Department of Manpower and Transmigration does not have authority over certain procedural aspects regulated at the provincial level (Topyani & Mulyadi, 2023). Interest groups, such as trade unions and employer associations, heavily influence the formulation of minimum wage policy. These groups use different strategies, such as lobbying and demonstrations, to influence policy outcomes. Employer groups often have a stronger influence, leading to wage increases that align with their interests (Rusdi, 2023). The enactment of the 2020 Job Creation Law in Indonesia has introduced complexities into minimum wage regulations, necessitating effective government outreach efforts to ensure compliance and clarity among employers and workers. This highlights the importance of the legal framework and public awareness in successfully implementing wage policies. While this study provides valuable insights into minimum wage policy implementation conditions and dynamics, it also underscores the importance of considering local economic conditions, stakeholder interests, and the legal framework. These factors collectively shape the effectiveness and acceptability of minimum wage policies in the study area.

This study analyzes the implementation process of minimum wage policy in Batu City. It also identifies the policy's impact on worker welfare and economic dynamics and evaluates the challenges and opportunities in implementing it. This study makes several contributions, including information for policy improvement to the Batu City government. For academics, it provides insight into the implementation of employment policies. This study also guides the private sector regarding the impact of the minimum wage policy. The development of this research compared to previous research is that this research offers a micro perspective on the implementation of minimum wage policies in Batu City which focuses on the socio-economic dynamics between employers, workers, and the government where this is a relatively new approach compared to previous research which is more general or national in nature. This research also highlights local economic conditions such as the interaction between the government, employers, and workers in determining the results of minimum wage policies. Unlike several previous studies, this research identifies the level of orderliness of employers in paying minimum wages and provides the main reasons for this disorder. Batu City was chosen as the object of this research because Batu City has unique socio-economic dynamics, such as high dependence on the MSME sector, especially in the fields of tourism and production which greatly influence minimum wage policies.

The implementation of minimum wage policies in Batu City is also influenced by the interaction between employer organizations, trade unions, and local governments. This highlights the socio-economic dynamics that can affect the results of wage policies. In addition, according to BPS, Batu City ranks highest as a city that is often visited by tourists in East Java. The gap in this research

emphasizes the need to analyze the implementation of minimum wage policies at the regional level, especially in Batu City, by considering socio-economic conditions and various compliance issues. The gap lies in the lack of exploration of how regional economic dynamics, government interests, and legal frameworks affect the outcomes of wage policies, which this study seeks to answer. The novelty of this study is to provide a local analysis of minimum wage policies in Batu City that focuses on socio-economic impacts and dynamics between employers, unions, and the government. This approach is relatively new in offering a micro-level perspective on policy implementation and its compliance challenges.

2. Literature Review

2.1 Public Policy Theory

Various public policy implementation theories, each offering unique insights into the complexities involved, can effectively explain how minimum wage policies are implemented. These theories encompass policy content, fairness, bureaucratic processes, and public choice, collectively providing a comprehensive framework for understanding how minimum wage policies are implemented and their impact on employment relations. Makasau (2009) argued the importance of policy content, information, support, and implementation potential in influencing employment relations. It shows that these elements are critical to successfully implementing minimum wage policies, as they directly affect the relationship between industry and workers. The study also identifies additional factors such as fairness, control, and environmental considerations that should be integrated into the policy framework to enhance effectiveness. Prayitno et al (2020) emphasizes the role of justice in minimum wage policy, especially in the context of small and medium enterprises in Indonesia. Despite the existing legal framework, issues such as violations during policy determination and implementation highlight the need for better enforcement and supervision. Legal mechanisms, although formal, often face challenges due to conflicting regulations and inadequate supervision, which can undermine the intended outcomes of the policy.

A study from Vaquero (2009) discusses various theoretical frameworks, including top-down and bottom-up approaches and policy networks. These frameworks consider the multiple factors and actors involved in policy implementation, suggesting that combining these approaches may be necessary for effective policy implementation. Lin (2015) in his study on the public choice model, highlights the influence of political and economic factors on the minimum wage system. This study underscores the importance of understanding key players' preferences and political market dynamics in shaping policy outcomes. The analysis of the minimum wage policy in the Bintan International Tourism Area further illustrates how economic conditions and stakeholder negotiations can impact policy effectiveness, especially during periods of economic transition (Marta et al., 2023). While these theories provide valuable insights, it is important to recognize that implementing minimum wage policies is context-dependent. Factors such as local economic conditions, the political environment, and stakeholder interests can significantly influence the success of these policies. Therefore, a flexible approach that combines multiple theoretical perspectives may be necessary to address the diverse challenges of implementing minimum wage policies. Public policy theory plays an important role in addressing the gap, so evaluation activities are very important to review the effectiveness of the policy (Cairney et al., 2022). From an economic perspective, public policy on minimum wages shows that high wages received by workers affect productivity because workers are more motivated, which has an impact on efficient performance. In the social and political dimensions, low wages are considered exploitative and detrimental to workers, so they are considered a civil rights issue (Benton, 2021).

2.2 Minimum Wage Theory

The minimum wage involves setting a legal floor on the hourly wage level that employers can pay to workers to ensure employees' basic standard of living. Its impact on the labor market varies depending on market conditions and theoretical perspectives. The following section explores these dynamics in detail. Increasing the minimum wage can lead to higher employment levels in monopsonistic markets, where one or a few employers dominate. This is because employers who previously paid wages below the marginal productivity of labor can raise wages without reducing employment. Studies in European countries show that significant increases in minimum wages can increase incomes for low-wage workers without affecting overall employment. However, certain groups, such as young workers and tradable workers, may experience negative impacts. Employment

elasticities concerning changes in minimum wages are often found to be minimal, suggesting that wage increases generally outweigh job losses (Garcia-Louzao & Tarasonis, 2023). Post-Keynesian models propose that the impact of minimum wages on employment is negligible, which is in line with empirical evidence showing minimal overall employment effects. This challenges the traditional competitive market assumption and suggests that minimum wage policies may not significantly disrupt the labor market. While minimum wages are designed to protect low-income workers, their effects on employment are nuanced and depend on market structure and economic theory. The balance between wage increases and potential job losses continues to be debated, with evidence supporting positive and negligible impacts in different contexts (Rusdi, 2023).

Research in Indonesia shows minimum wage policies can reduce food insecurity among formal worker households. The study found that wage increases increased per capita calorie intake and dietary diversity, particularly benefiting low-income groups in the manufacturing sector. However, the policy had a limited impact on consuming nutritious foods such as fruits and vegetables, suggesting the need for complementary policies (Hasanah et al., 2024). Implementing minimum wage policies in the Sukabumi Regency faces challenges related to resource allocation and bureaucratic structures. While communication and disposition are effective, a lack of resources and authority over standard operating procedures hampers optimal policy implementation (Topyani & Mulyadi, 2023). In Bangladesh, introducing new minimum wages in the ready-to-wear garment sector did not translate into better living conditions for workers. Instead, factory owners adjusted working conditions to offset wage increases, highlighting the need for broader labor market reforms to ensure workers benefit from wage policies (Kabir et al., 2022). Brožová (2018) explains that the minimum wage can be assumed to be a living wage, which is able to increase worker motivation and productivity and provide social benefits including improving economic conditions for low-income workers. While minimum wage policies can offer significant benefits, such as reducing food insecurity and improving mental health, their success depends on effective implementation and complementary measures. Challenges such as bureaucratic inefficiencies and exploitative practices can undermine these benefits, highlighting the need for a comprehensive policy framework tailored to specific economic and social contexts.

3. Method

This research is qualitative. The qualitative approach allows the study to capture stakeholders' perspectives, including workers, employers, and policymakers. This study used primary and secondary data. Primary data comes from direct observation, interviews, and documentation from policy implementers and affected workers, while secondary data sources include existing employment records and economic reports from 2015 – 2022. The data were then analyzed using a flow model, allowing for systematic information examination through a sequential process. This approach ensures that data is thoroughly explored to uncover patterns and insights and validated using triangulation techniques to ensure accuracy and reliability. These data sources provide insights into policy effectiveness, challenges, and socio-economic impacts. This study chose Batu City as the object of research because, in Batu City, the implementation of minimum wage policies is influenced by interactions between employer organizations, trade unions, and local governments. This highlights the socio-economic dynamics that can affect wage policy outcomes.

The data analysis technique in this study uses descriptive analysis, which provides a detailed understanding of the policy implementation process. This method can provide a comprehensive evaluation of minimum wage policies. Quantitative data is objective because it measures clear and quantifiable variables, which allows for more accurate analysis and less bias and provide more consistent and stable result (Syawal & Satrianto, 2024). This approach was chosen because it allows for in-depth exploration of the views and experiences of various stakeholders, including workers, employers, and policymakers. Understanding the social, economic, and political dynamics related to minimum wage policy is important. The implementation of the minimum wage policy in Batu City is influenced by various local factors such as socio-economic interactions, labor market conditions, and employer compliance. This approach is suitable for exploring the details of these contexts that quantitative data cannot fully explain. Using direct observation, interviews, and documentation, the qualitative approach allows for data validation through triangulation to make the analysis results more accurate and reliable. Overall, this approach was chosen because of its ability to produce in-depth and contextual understanding, which is important for answering research questions that focus on policy implementation.

4. Results and Discussion

4.1. Implementation of Minimum Wage Policy

The minimum wage policy is guided by Law Number 13 of 2003 concerning Manpower and its derivative regulations, PP No. 78 of 2015, which was refined in the Job Creation Law Number 11 of 2020 with its derivative regulations, namely PP No. 36 of 2021 and PP No. 51 of 2023 concerning wages. This law generally mandates that the Governor sets the minimum wage, considering recommendations from the Provincial Wage Council and the Regency/City Wage Council. In Batu City, implementing this law is considered to be running well because it is in line with the socio-economic conditions of the region. It ensures that the minimum wage can meet the needs of a decent life for workers, although in some cases, there are still many employers who cannot pay according to the minimum wage policy that has been set.

Table 1. Minimum Wage Data from 2015-2024 in Batu City

Year	Minimum Wage (Rp)	Growth
2015	Rp. 1.817.000,00	
2016	Rp. 2.026.000,00	+ 11.50%
2017	Rp. 2.193.145,00	+ 8.25%
2018	Rp. 2.384.167,00	+ 8.71%
2019	Rp. 2.575.616,00	+ 8.03%
2020	Rp. 2.794.801,00	+ 8.51%
2021	Rp. 2.819.801,00	+ 5.65%
2022	Rp. 2.830.367,00	+ 0.37%
2023	Rp. 3.030.367,00	+ 7.07%
2024	Rp. 3.155.367,00	+ 4.12%
Average	**Rp. 2.462.663,10**	**6.88%**

Source: data processed

Table 1 shows the changes in the minimum wage during 2016-2024, the average city minimum wage is Rp. 2,462,633.1, with an average annual increase rate of 6.88%. Meanwhile, there was a significant difference in the percentage increase in the Batu city minimum wage at the time of the implementation of PP no. 78 of 2015, where the average increase reached 9.00% in the period 2016-2020. During the COVID-19 pandemic in 2020-2021, which affected almost all business sectors, the minimum wage percentage decreased to 3.01%. In 2023-2024, implementing the Job Creation Law Number 11 of 2020 with its derivative regulations, namely PP No. 36 of 2021 and PP No. 51 of 2023, encouraged an average increase in the minimum wage percentage by 5.59%. Conditions vary in terms of entrepreneurs' compliance with the minimum wage policy. Large entrepreneurs tend to comply with the UMK provisions. Meanwhile, micro, small, and medium enterprises (MSME) entrepreneurs in Batu City face difficulties complying with the minimum wage due to economic constraints. For MSME entrepreneurs, an increase in the minimum wage will increase operational burdens, thus impacting the use of labor.

The study showed that out of 68 non-MSME company samples, only 31 or 46% of companies had paid the minimum wage. In contrast, 37% or 54% of companies could not pay workers according to the minimum wage. This aligns with research conducted by Badaoui & Walsh (2022) states that most informal companies in developing countries pay workers less than the minimum wage. Informal companies may not survive if they have to pay according to the minimum wage policy. Unlike macro companies with high productivity that tend to comply with the minimum wage policy, micro companies cannot comply with the policy because their output is not optimal yet. An effective minimum wage policy can increase labor force participation rates, particularly among low-income groups. It also influences labor absorption across various sectors. Workers who receive fair wages are generally more motivated, leading to higher productivity. Additionally, companies offering higher wages are more likely to attract higher-quality workers. Mansoor (2024) states that low company compliance with minimum wage policies will hinder worker effectiveness, especially in low-income worker groups.

Implementing a minimum wage policy involves establishing a baseline wage that employers are legally required to pay their workers. This policy aims to ensure fair compensation, reduce income inequality, and protect low-income workers from exploitation. Several developed countries, including Germany, implement minimum wages for specific sectors rather than applying a uniform minimum

wage across all sectors. This approach allows adjustments based on the conditions and needs of each sector, which can help mitigate the risk of job shortages. This sectoral approach is based on legal provisions that allow the government to enforce these wages under certain conditions. In addition, this implementation can be a practical approach to balancing wage increases with employment levels (Garloff, 2010). In this case, the government must enact laws or regulations to define the minimum wage, specifying the rate, periodic adjustments, and penalties for non-compliance. The government also needs to conduct regular reviews and adjustments to account for inflation, cost of living, and economic growth to ensure that the minimum wage remains effective and relevant. By carefully designing and implementing the minimum wage policy, governments can strike a balance between protecting workers and sustaining economic growth.

4.2. Impact of Minimum Wage Policy

The minimum wage policy impacts workers' welfare by affecting employment and economic growth. A living wage increases workers' purchasing power, enabling them to better afford life's necessities. This contributes to poverty reduction and improves overall quality of life. This policy can improve workers' welfare by increasing income, reducing poverty, and affecting labor market dynamics. However, its effects vary based on the economic conditions of Batu city and the specific design of the wage policy.

Table 2. Comparison of Economic Growth and Change's of Wage in Batu City

Year	Economic Growth	Changes of Minimum Wage
2017	5.17	8.71
2018	6.29	8.03
2019	6.54	8.51
2020	-6.11	5.65
2021	4.04	0.37
2022	6.18	7.07
2023	6.19	4.12

Source: data processed

Table 2 shows minimum wage policy is positively correlated with labor welfare and economic growth. This policy serves as a protective tool to maintain labor productivity and is the main motivation for workers, thus improving their welfare. Increasing the minimum wage can effectively reduce poverty rates as long as it is reviewed and adjusted annually to reflect economic conditions. Minimum wage policy can affect employment and labor market dynamics. A study in Batu City showed that several companies posted fewer job vacancies in response to wage increases, which could impact employment opportunities, especially for low-skilled workers. The policy can improve welfare by increasing low-skilled labor force participation and employment if it aligns labor market tightness with the efficiency level. Although minimum wage policy can improve labor welfare, it can also reduce job postings, especially for low-skilled workers. The overall impact on welfare depends on the balance between wage increases and employment opportunities. Guo (2024) states the minimum wage system affects capacity and income inequality in the long term. Therefore, minimum wage policies must be well-designed, and their impact on the labor market must be considered comprehensively. Hopefully, this policy can protect low-income workers and create healthy economic development.

The impact of increasing the minimum wage for employers varies, including affecting production costs and profitability. While minimum wage policies aim to improve worker welfare, they impose additional labor costs on employers, affecting the company's financial performance and operational strategy. Meanwhile, for the hotel industry in Batu city, the impact of increasing the minimum wage varies according to hotel quality. Star-rated hotels have been relatively successful in shifting costs to customers without affecting revenue, while lower-class/non-star hotels face declining occupancy and revenue. Although minimum wage policies can impact the risk of job losses or increased costs for businesses, these factors must be considered when implementing the policy. Lemos (2004) proved that the implementation of minimum wages raises speculation about its effectiveness in improving the welfare of workers. The impact of minimum wages on labor wealth is diverse, affecting both the distribution of individual incomes and broader economic conditions. Minimum wage policies aim to improve the living standards of low-wage workers by establishing a legal income floor, which can lead to increased incomes and poverty reduction. In Indonesia, a 1% increase in the minimum wage was associated with a 5.7% reduction in poverty, highlighting its potential as a poverty alleviation tool (Kurniawati et al., 2017). Zhang (2024) states that minimum wage policies provide economic security

for low-wage workers, improving their financial stability and living standards. Ahmat et al (2019) argued the existence of minimum wages significantly affects the quality of life and worker satisfaction. Minimum wage increases positively affect workers' perceptions of compensation and life satisfaction. However, an increase in the minimum wage can create rigidities in the labor market and affect competitiveness. Therefore, a balanced approach is needed to consider local economic conditions and labor market dynamics to optimize the benefits of minimum wage policies.

4.3. The Role of Local Government, Employers, and Trade Unions

Implementing minimum wage policies involves complex interactions between local governments, employers, and unions. Each stakeholder plays a critical role in shaping, negotiating, and enforcing these policies to balance economic sustainability with worker welfare. Details of these entities' specific roles and interactions in the context of minimum wage policy implementation include: The Batu city government is responsible for setting and enforcing minimum wage standards that align with national regulations and local economic conditions. They act as mediators in wage councils where minimum wage decisions are made, ensuring that the interests of both employers and workers are taken into account. Furthermore, employers often prioritize business sustainability and resist wage increases that could impact their financial stability. They engage in lobbying and negotiation within wage councils to influence policy outcomes that they consider beneficial. Finally, unions play a critical role in advocating for higher wages and better living standards for workers. They actively participate in wage councils, using negotiation to push for favorable wage policies.

Although these roles are usually collaborative, tensions often arise due to conflicting interests. Employers focus on minimizing costs, while unions push for higher wages, and the Batu city government seeks to mediate these interests to ensure economic stability and social welfare. These dynamics can lead to policy outcomes that may not fully satisfy all parties but aim to reach a balanced agreement. The government is crucial in formulating and overseeing minimum wage policies to protect workers from poverty and ensure a living wage. Through minimum wage policies, the government can influence labor market dynamics and income distribution (Romich & Hill, 2018). Minimum wage policies help reduce income inequality by ensuring workers receive a living wage. This is essential for fostering a more inclusive and socially stable society. Bernhardt et al (2014) states local governments set minimum wage laws that need to be adjusted to regional economic conditions. Employer compliance with minimum wage laws can also significantly affect employee welfare and local economic conditions.

4.4. Supporting Factors for The Implementation of Minimum Wage Policy

The implementation of minimum wage policies is influenced by various economic, social, political, and cultural dimensions. These factors determine the success or failure of the policy, impacting the labor market, poverty levels, and overall economic growth. Economic conditions, such as inflation and employment levels, are important in determining minimum wage levels. Policies must be able to adapt to economic changes to ensure they meet the needs of workers without causing adverse effects such as unemployment. Minimum wage policies aim to reduce income inequality and provide workers with a decent standard of living. McKenzie (2018) states the minimum wage policy is very important to realize fair wages, eliminate income inequality, and increase the purchasing power of low-income workers. This policy is crucial in supporting workers during the economic downturn in Batu City. For example, during the COVID-19 pandemic in 2020, the economic growth of Batu City reached -6.11%, so to maintain the continuity of workers, the minimum wage, even though it decreased compared to the previous year, was still around 5.23%. The government's political policy factor significantly impacts the minimum wage policy. In Indonesia, legal politics shapes employment regulations, influencing how the minimum wage is calculated and enforced. Political will and stakeholder interests can support or hinder policy implementation.

The government needs to review minimum wage policies through a local approach, namely by reviewing the average cost of living in the area (Pei Ling et al., 2014). Dolton et al (2012) argued there are several supporting factors in implementing minimum wages, including geographic variations that can identify how minimum wages that vary across regions can affect local employment and wage inequality. In addition, the use of the Incremental Difference-in-Difference estimation method helps identify minimum wages that have a significant impact on employment and inequality in certain years. The study also states that the national minimum wage is an effective tool for reducing wage inequality. An effective enforcement strategy is essential to ensure minimum wage laws achieve their intended outcomes, such as reducing wage inequality and improving worker welfare. In addition, the

interactions between these factors can vary significantly across Batu City in economic contexts, requiring a nuanced approach to minimum wage policy implementation.

5. Conclusion

This study focuses on minimum wage policy as it is a vital economic instrument for balancing the interests of workers and employers while fostering economic growth. An effective minimum wage policy can enhance workers' welfare, reduce income inequality, and influence labor absorption levels. The implementation of minimum wage policy reveals the complex interaction of socioeconomic factors, policy implementation challenges, and broader economic impacts. The results of this study show that only a portion of employers (46%) comply with the minimum wage policy. The main problem is that the increase in the minimum wage causes an increase in production costs, ultimately impacting labor use—workers who receive wages according to the minimum wage positively impact worker welfare. MSME entrepreneurs in both the production and tourism sectors feel that changes in the minimum wage each year do not affect their ability to pay workers. Almost all MSME businesses still pay workers' wages below the set minimum wage, mostly because there are no binding laws and regulations for MSME entrepreneurs to pay workers according to the set minimum wage.

The minimum wage policy improves the welfare of workers who receive standard wages, especially through increased income and reduced poverty rates. However, compliance with this policy is still low, with only 46% of employers complying with the minimum wage standard. This policy positively impacts economic growth, but challenges arise in the MSME sector, which has difficulty meeting the minimum wage standard. The Batu City Government is important in supervising and socializing the minimum wage policy. Optimizing supervision and implementing sanctions for violations is the key to the success of this policy. A data-based approach is needed to align policies with local economic conditions and labor productivity. Therefore, collaborative efforts are needed between the government, employers, and trade unions to ensure the success of the policy and improve workers' welfare and healthy economic dynamics. This study is limited to Batu city, which restricts the generalizability of its findings to other regions with different socio-economic conditions. While the qualitative approach offers in-depth insights, it lacks quantitative data to validate broader economic impacts. The study does not delve deeply into long-term outcomes or conduct comparative analyses with other regions.

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