The Effect Analysis of Minimum Regional Wages and Macroeconomic on Poverty Level in Indonesia Period 2010-2015

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Abstract: Regional minimum wage can be used as a measure to examine the prosperity in a region, because the higher of the regional minimum wages in a region then the more prosperous its society. Unfortunately, based on statistical data local minimum wage of a region does not guarantee that the area has a prosperous community life. This study aims to determine the effect of regional minimum wage and macroeconomic toward the poverty level in Indonesia, period year 2010-2015.

The method used in this research is linear regression analysis of panel data, where the data used are consisting of time series data (2010-2015) and cross section data (33 provinces in Indonesia). The results show that regional minimum wage and economic growth have negative and significant effect toward poverty level and labour force has positive and significant effect toward poverty level. Simultaneously, regional minimum wage, economic growth, labour force, inflation and capital expenditure have a significant effect toward poverty level in Indonesia.

Based on the results, can be concluded that the minimum wage that has a negative and significant effect on the level of poverty means the increase in regional minimum wages the poverty rate will decrease. Therefore, the government should pay more attention to the regulation on regional minimum wage in each province whether the wages given to the labour are in accordance with their needs because there are still some non-formal companies, especially those who still provide wages to their labour below then the regional minimum wage. The economic growth has a negative and significant effect on poverty level, meaning that if economic growth in a region/province increases then the poverty level will decrease. But in fact based on statistical data of Gross Regional Domestic Product (GRDP) from the Central Bureau of Statistics shows high economic growth is expected to improve the welfare of the people of the region. The labour force has a positive and significant effect on the poverty level, which means that the increase of the Labor force, the poverty rate will increase. This is because the increase in the number of labour force but not accompanied by increased employment opportunities/employment so that will happen unemployment.

Based on the above explanation the government should be more serious in solving the problem of poverty in Indonesia, especially in areas that are still undeveloped due to uneven development in each region. Particularly the government is more concerned with observing and taking into account the far eastern part of Indonesia compared to the western part of Indonesia, for example the provinces of Papua and West Papua where they have the second and third highest wage rates compared to other provinces but they also have the highest poverty rates compared to other provinces.

Keywords: Labour force, inflation, capital expenditure, poverty, data panel, and random effect model.

Introduction

Economic growth is one important indicator in determining the success of development of a country or region. The economy is said to be growing if the goods and services those produced by the community are increase from the previous year, so that the prosperity of society increases in the long term. Based on data from the Central Bureau of Statistics (BPS), Indonesia's economic growth from 2010-2017 tends to slow down although in 2016-2017 it is increasing. This is not happening just in Indonesia but also experienced by some other countries due to the sluggish global economy for last several years. Indonesia's lowest economic growth occurred in 2015, amounted to 4.79%. This figure is lower than in the last two previous years, where just reaching 5.22% in 2013 and 5.02% in 2014. This is inseparable from the rise in food prices so that the purchasing power or the ability of public consumption tends to decline.

Economic growth is also a factor affecting the poverty rate, given the ever-increasing number of people, which means economic needs will increase, it will require additional revenue every year. High economic growth and accompanied by equitable growth of the whole business sector is needed in efforts to reduce poverty (Barika, 2013). According to BPS (2016) poverty is seen as an economic inability to meet basic food and non-food needs as measured by expenditure. So the poor are the people who have an average monthly per capita expenditure below the poverty line. The percentage of poor people in 2015 increased by 11.13% compared from the year 2014 of 10.96%. This happens because the economic growth in 2015 has decreased so that the decline in people's productivity in consuming food and non-food needs. The level of poverty is inseparable from the level of wages received by workers who are very influential on the ability of the purchasing power of the worker.

Under Law No.13 of 2003, Wages are the right of workers who are received and expressed in the form of money in return to workers stipulated and paid under an employment agreement, law, including allowances for workers and families for work and / or services that have been or will be done. Minimum wage is a standard used for entrepreneurs or industry players in providing wages to employees or workers in the business environment. In paying this, sometimes there are some problems, such as: employers pay too low wages.So that, the government has regulated the minimum wage in the Minister of Manpower and Transmigration Regulation no. Kep-226 / Men / 2000. The regional minimum wage policy made by the government aims to improve the welfare of workers so that it is one of the policies that can be expected to reduce the poverty level. Kapelyuk (2015) conducts research on minimum wages and poverty in Russia. Using the Russian Longitudinal Monitoring Survey of Higher Schools of Economics (RLMS-HSE) from 2006-2011, this paper stated that the minimum wage in Russia has a moderate effect of poverty reduction. According to Yusof (2016) the minimum wage leads to poverty reduction for all ethnic groups in Malaysia.

The facts show that even though minimum wage policy is applied but the poverty rate in Indonesia is still high. In line with research conducted by Burkhauser (2014), which states that the minimum wage affects only the working poor who are not poverty in broad outline. Meanwhile, a study by Alaniz (2011) in Nicaragua suggests that a legally increasing minimum wage increases the likelihood that the working poor families will be out of poverty. Wages negatively affect the level of poverty, where if workers earn enough wages then they will be able to meet the needs of goods and services so as to reduce poverty. A research conducted by Kurniawati, et al (2017) in 33 provinces in Indonesia, explains that minimum wages have a negative and significant impact on poverty in Indonesia. Each 1% wage increase (*cateris paribus*) will reduce poverty by 5.7%. In other words the minimum wage can be used as one of the policies in reducing poverty in Indonesia. In order for this minimum wage policy to be effective in reducing poverty, it is necessary to supervise the implementation of regulations related to minimum wages.

One of the development policy targets in each country to overcome poverty is to carry out various development efforts and make policies that support the implementation of the development. Efforts that have been made can be seen in the form of increased government expenditures, especially capital expenditures. Increased capital expenditures can have a positive effect on the decline in the number of poor people, because the availability of adequate infrastructure will facilitate the community in conducting economic and social activities. Based on the description above, this research will analyze the problem of Poverty Level In Indonesia Year 2010-2015".

Literature Review
Poverty Level

According to the Central Bureau of Statistics (2015) the concept used to measure poverty is seen from the ability to meet basic needs. With this approach, poverty is seen as an economic inability to meet the basic needs of food. So the poor are peoples whose average per capita expenditure is below the poverty line. According to Arsyad (2010),

poverty is defined as the inability to meet the minimum standard of living. Poverty can also be viewed as a condition of community members who have not or have not participated in the process of change, because they do not have the ability, either the ability in the possession of production factors nor the quality of production factors is adequate. So as not to benefit from the results of the development process. According to Arsyad (2010) poverty can be divided into 2 classes, such as: (i). Absolute Poverty. Absolute poverty is determined based on the level of people's income to meet the minimum basic needs. If they are unable to meet the minimum basic needs with the income they receive then it can be categorized in a poor class and (ii). Relative Poverty. This inequality is caused by the inequality of income distribution. Some scholars argue that even if one's income has already reached the minimum level of minimum requirement, it turns out that the person's income is still much lower than the income of the surrounding community, then the person is still in the poor category.

Meanwhile, Sharp, et al (in Kuncoro, 2010) identified the causes of economic poverty in three types: (i). On the micro level, poverty appears as the inequality of resource ownership patterns so that unequal income distribution; (ii). Poverty arises because of differences in the quality of human resources (HR), low quality of human resources means low productivity that causes wages to become redundant. This is due to the low level of education, the unfortunate fate and the existence of discrimination or descent; and (iii). Poverty arises from differences access in capital.

Minimum Regional Wage (UMR)

Wages are one of the means used by workers to improve their welfare. In the labor market it is imperative to determine the amount of wages the company pays to its workers. The minimum wage legislation sets the lowest price of labor to be paid (Mankiw, 2006). The main goal of minimum wage is to meet minimum living standards such as: health, efficiency, and welfare of workers. Minimum wage is an attempt to raise the level of low-income people, especially the working poor. Increasing the minimum wage rate will increase the income of the community so that the welfare also increases so free from poverty.

In dealing with wage issues in Indonesia the government makes various policies set forth in the legislation. In the Regulation of the Minister of Manpower Number: Per-01 / Men / 1999 and Labor Law No. 13 Year 2003: Minimum wage is the lowest monthly wage consisting of basic wage including fixed allowance, fixed allowance is a fixed amount of remuneration received by the worker in payment, which is not related to attendance or certain level of achievement. The purpose of determining the minimum wage is the achievement of decent income for workers.

The minimum wage is directed to the achievement of a decent life. Employers are prohibited from paying wages lower than minimum wages. The remuneration rules stipulated by agreements between employers and workers / laborers or trade unions should not be lower than the remuneration stipulated by prevailing law regulation (Husni in Riva et al, 2014). Initially the minimum wage is centrally determined by the Department of Labor for regions or regions throughout Indonesia. But in the development of regional autonomy, in 2001 each province set the minimum wage. The minimum wage itself can be divided into two namely: (i). A regional minimum wage is a monthly wage consisting of a basic wage and a fixed allowance for the worker at the lowest level and a working period of less than one year applicable to a particular area and (ii). The sectoral minimum wage is the prevailing applied in a province based on sector capability.

The role of workers, employers and the government is necessary in addressing the impact of minimum wage determination. It is not only the entrepreneurs who suffer the impact of minimum wage determination. With the understanding and understanding and cooperation of all parties related to industrial relations this can be achieved the common goal of workers prosperous, developing and sustainable companies and the government can keep the development and improvement of the economy well. Since the minimum wage has a negative relationship to poverty, the increasing minimum wage in society, will reduce the existing poverty.

Economic Development

Economic growth is the development of activities in the economy that cause the goods produced in society to increase. So if the high economic emerge then the growth of goods produced will also increase. This will increase the level of community welfare (Sukirno, 2012). While Arsyad (2010) explains that economic growth is an enhancement of a country's ability to provide economic goods for its population, the increase in this capability is due to adequate technological progress. According to Suparmoko and Sofilda (2017) there are four factors affecting economic growth, such as: (i). Human Capital (Human Resource); (ii). Capital (capital for human); (iii). Natural Resources and Environment (Natural Capital of God's Creation); (iv). Technology; and (v). Social Factor

Economic Development and Poverty

Economic growth is an indicator to see the success of development and is a requirement for poverty reduction. The requirement is a good economic growth in a country will reduce the level of poverty. Based on the opinion of Kuznets in Suparmoko (2017) stated that the relationship between poverty and economic growth shows a negative relationship. On the other hand, the relationship of economic growth and the level of economic disparity is positive. Economic growth without followed by equal distribution of income will not be able to reduce the number of poor people, for that there needs to be an increase in economic growth accompanied by equitable income so that it can prosper the community.

Labor Force

Labor force by BPS (2015) is a working-age population (15 years and over) who works, or has workers but temporarily unemployed and unemployed. Meanwhile, according to Sukirno (2012) labor force is the amount of labor that is contained in an economy at a certain time. The labor force consists of working groups, and unemployed groups looking for work, while non-laborers are those who are still in school, households, and other groups or recipients of income.

In the analysis of labor, a very important part of attention is the labor force. The labor force is defined as part of the Labor force that is really ready to work to produce goods and services. Those who are ready to work are comprised of really working and unemployed. Unemployment here is defined as a Labor force that is not working and is currently looking for work, preparing businesses or people who are already desperate to get a job or those who already have a job but have not started work. Further Labor force included in the non-labor force is a working-age population (15 years and older) who are still in school, taking care of households or carrying out other activities other than personal activities (BPS, 2015).

Prior to 2000, Indonesia used the benchmark of all residents aged 10 and above for the age category of work (see results of the 1971,1980 and 1990 census of the population). However, since the 2000 population census and in accordance with international provisions, the working age population is 15 years of age or older.

Inflation

Inflation is the tendency of prices to rise generally and continuously (Mankiw, 2006), which is resulted in the decrease in public purchasing power because in real terms its income also decreased. So if there is a price increase on an item but the increase is temporary then it cannot be said inflation.

Capital Expenditure

Based on the Regulation of the Minister of Home Affairs Number 13 of 2006 on Guidelines for Regional Financial Management, stated that expenditure by shopping group consists of indirect spending and direct expenditure. Indirect spending, which is budgeted is not directly related to the implementation of programs and activities. While direct expenditure is budgeted expenditure directly related to the implementation of programs and activities. In direct expenditure grouped by type of expenditure consists of: personnel expenditure, goods and services expenditure, and capital expenditure.

According to Halim (2002), capital expenditure is the expenditure of local governments whose benefits exceed one budget year and will increase the assets and wealth of the region. Capital expenditure is divided into two, such as: (i). Public Expenditure. Public expenditure is spending that benefits can be enjoyed directly by the general public. Examples of public spending are: the construction of bridges and highways, the purchase of mass transportation equipment, and ambulance purchasing; and (ii). Officer Expenditure. Expenditure of the officer is a expenditure that benefits are not felt directly by the community, but felt directly by the officer. Examples: official vehicle purchasing, construction of government buildings, and the construction of official houses.

Capital expenditures are expenditures used for the purchase / procurement or construction of tangible fixed assets whose value exceeds a year and / or the use of services in the implementation of local government programs or activities. The formation of fixed assets includes heavy equipment, transportation equipment, workshop tools, agricultural equipment, office equipment and equipment, computers, water utility cars, kitchen utensils, room decoration, studio tools, communications equipment, measuring instruments, medical devices, laboratory equipment, construction, roads, bridges, water fairs, street lighting, parks and urban forest, electrical and telephone installations, buildings, books / literature, artwork, and crops, as well as weaponry / security (BPS, 2016)

Research Framework

Base on the above explanation, the research framework can be seen as follows:

Graph 1. Research Framework
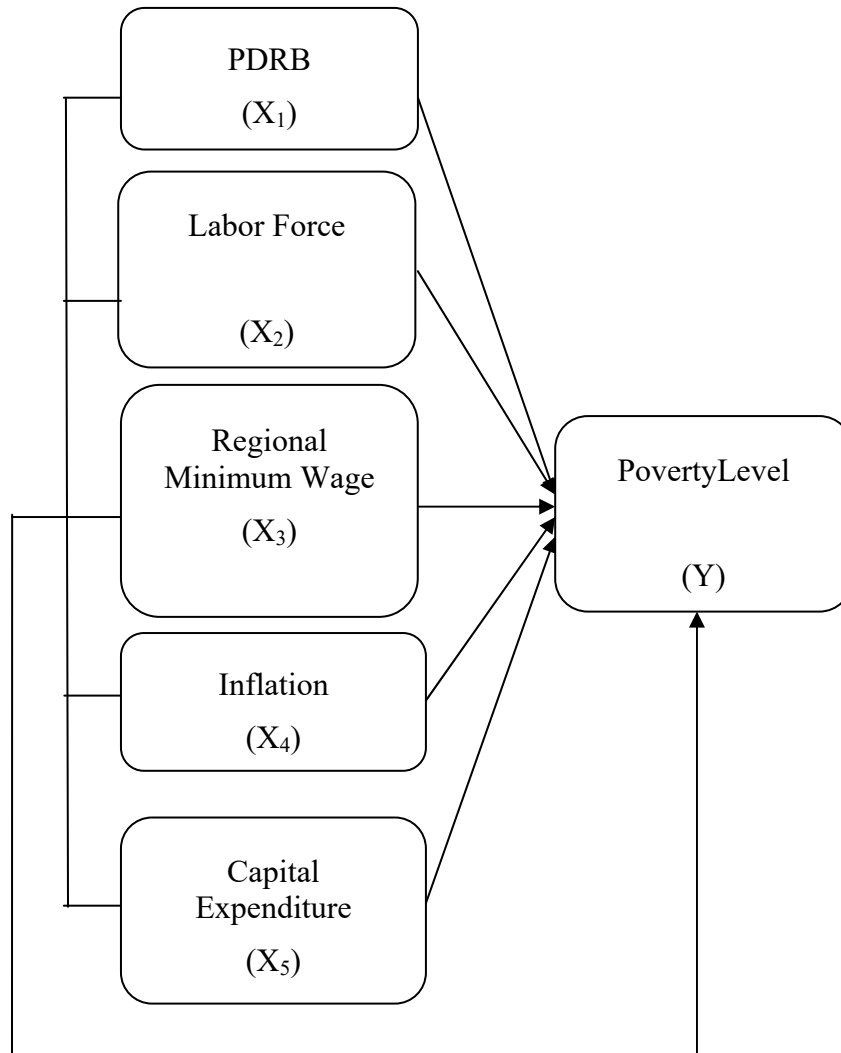
Source: Authors

Hyphotesis

Hypothesis that will be proposed in this paper come from some previous researchers (among others: Purnama, 2017; Ningrum, 2017; Kurniawati, et al., 2017; Barika, 2013):

H_{01}:   It is assumed that there is no effect of GRDP on the level of poverty in Indonesia 2010-2015.
H_{a1}:   It is assumed that there is an effect of GRDP on poverty level in Indonesia 2010-2015.
H_{02}:   It is assumed that there is no effect of labor force on poverty level in Indonesia 2010-2015.
H_{a2}:   It is assumed that there is an effect of the labor force on poverty level in Indonesia in 2010-2015.

H$_{03}$:　　　It is assumed that there is no effect of UMR on poverty level in Indonesia 2010-2015.

H$_{a3}$:　　　It is assumed that there is an influence of UMR on poverty level in Indonesia in 2010-2015.

H$_{04}$:　　　It is assumed there is no effect of inflation on the level of poverty in Indonesia in 2010-2015.

H$_{a4}$:　　　It is assumed that there is inflationary influence on poverty level in Indonesia 2010-2015.

H$_{05}$:　　　It is assumed that there is no effect of capital expenditure on poverty level in Indonesia 2010-2015.

H$_{a5}$:　　　It is assumed that there is an effect of capital expenditure on poverty level in Indonesia in 2010-2015.

Research Methodology

Types and Data Sources

This study uses secondary data obtained from publication data of the Central Bureau of Statistics (BPS), Bank Indonesia (BI), and other sources on the internet. Data to be used include data of Gross Domestic Product (GRDP), unemployment, labor force, inflation UMR, capital expenditure and poverty level. The data in the research is a combination of time series data from 2010-2015 and cross section data covering 33 provinces in Indonesia so it is also called panel data.

Data Method Analysis

Considering panel data is a combination of cross section data and time series data, the model used in panel data analysis is as follows:

$$Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} + e_{it}$$

where:

　　　　Y_{it} = Poverty level

　　　　α = Constanta

　　　　$\beta_1 - \beta_5$ = Coefficient

　　　　X_{1it} = GRDP

　　　　X_{2it} = Force Labor

　　　　X_{3it} = UMR

　　　　X_{4it} = Inflation

　　　　X_{5it} = Capital Expenditure

　　　　e = *Error*

There are three methods used to work with panel data (Gujarati, 2010) as follows: (i). *Common-Constant* (*Pooled Least Square*/PLS) method. This PLS approach uses the usual OLS method. In its estimation it is assumed that each individual has the same intercepts and slopes. In other words, the resulting panel data regression will apply to each individual; (ii). *Fixed Effect Model*/FEM) method. In the FEM method, intercept in regression can be distinguished between individuals because each individual is considered to have its own characteristics. In distinguishing the intercept can be used dummy variables, so this method is also known as Least Square Dummy Variable (LSDV). This fixed effect model adds as many (N-1) dummy variables (Di) into the model and removes the remaining one to avoid perfect collinearity between explanatory variables; and (iii). *Random Effect Model*/REM) method. Panel data model which involves correlation between error term due to change of time because different observation can be overcome with component model approach or also called random effect model (random effect), the assumption is individual error is also not correlate to each other also with the combination error. Using a random effects model, it can save the use of degrees of freedom and not reduce the amount as done on the fixed effect model. This implies that the parameters resulting from the estimation will be more efficient.

a. Chow Test

Chow test is to see which model is more appropriately used between Common Effect model with Individual Effect model (Fixes Effect or Random Effect), assuming if Probability from Chi-square> 0,05 then Ho accepted model used Common Effect. But if Probability<0,05 then model used is Individual Effect.

b. Hausman Test

Hausman test is used to determine the best model between model of Fixed Effect or Random Effect, with assumption if probability from Chi-square> 0,05 then Ho accepted model used Random Effect. But if Probability<0.05 then the model used is Fixed Effect.

c. Statistical Test

Based on the regression results obtained F test results, t test, and the magnitude of the coefficient of determination (R^2). F test is used to find out whether the independent variables simultaneously affect the dependent variable on a certain α. The F test can be done in two ways, i.e. by comparing the F-count greater than the F-table or the probability value F smaller than the largest α used. F test in this research has done by comparing probability F with α.

T test is done to find out whether the independent variable partially affects the dependent variable in certain α. As the F test, t test can also be done in two ways by comparing t-count with t-table or comparing the probability t with α. The independent variable affects the dependent variable if the t-value is greater than the t-table or the probability value is smaller than the largest α used.

The statistical criterion also takes into account the magnitude of the coefficient of determination (R^2), which in E-views is expressed in R-Squared. The coefficient of determination is used to see the extent of diversity of independent variables. The higher the R-Squared value means the model is said to be better because of the greater diversity of dependent variables that can be explained by the diversity of independent variables. The adjusted R-Squared value is useful for determining the best model if the research has various model alternatives. The best model is chosen based on the largest Adjusted R-Squared value, assuming the model does not violate the econometric criteria. The value of R^2 is usually expressed in percent. Adjusted R-Squared value ranges from 0 to 1. When the value is closer to 1, then can be said the model is good.

Research Result and Discussion

Data Desecription

a. Poverty Level

The poverty in this study is seen from 33 provinces in Indonesia from 2010-2015. In general, the percentage of poverty in Indonesia has always decreased from 2010-2014 and increased in 2015. The decline of poverty in Indonesia is due to the increase of minimum wage every year and stable economic growth.

Figure 1. Average poverty in Indonesia Year 2010 – 2015

Source: BPS (2016)

From Figure 1, regions with the highest poverty rate from 2010-2015 is Papua with a poverty rate of 30.62% some factors that cause Papua to have a high poverty rate is a factor of connectivity and isolation where Papua is still quite difficult to reach so that the activity and economic growth there pertained difficult to develop as well as there are still some areas in Papua that are isolated from civilization, so that economic growth and welfare of the people are uneven. In West Papua, 27.22% followed by Maluku with 20.93%.

b. Regional Minimum Wage (UMR)

Based on figure 2, can be seen average provincial minimum wage in Indonesia from 2010-2015, which has the highest average minimum wage is DKI Jakarta Rp1,879,693 in second position Papua Province Rp1,707,917 while the third position is Papua Province West Rp1.612.500. The lowest average minimum wage is Central Java Rp791,667.
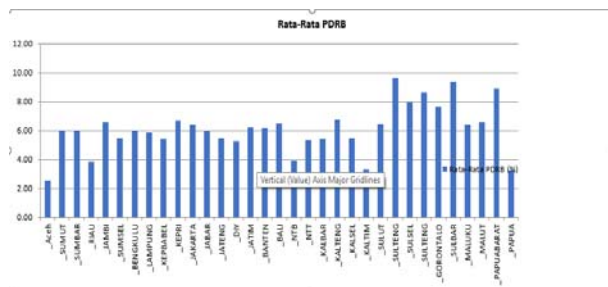
Figure 2. Average Minimum Wage Regional in Indonesia Year 2010-2015
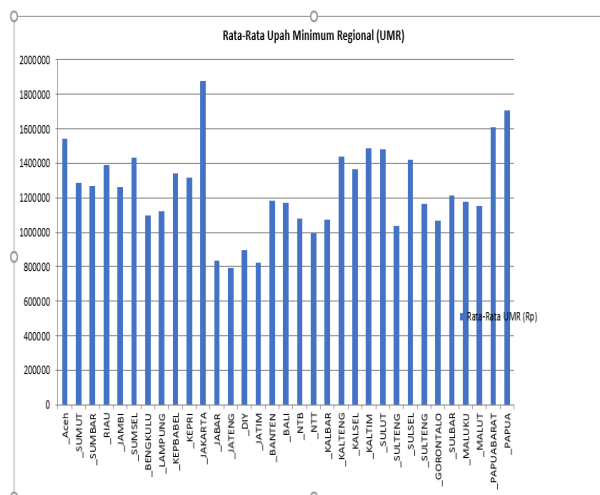
Source: BPS (2016)

c. **Economic Development**

**Figure 3. Economic Development in Indonesia Year 2010 – 2015**

Source: BPS, (2016)

From Figure 3 above, provinces in Indonesia, which has the highest economic growth from 2010-2015, is Central Sulawesi Province of 9.64%. The second highest and third highest economic growth rate was West Sulawesi with 9.39% followed by West Papua with 8.93%. For areas with low economic growth, Aceh Province is 2.51%.

d. Labor Force

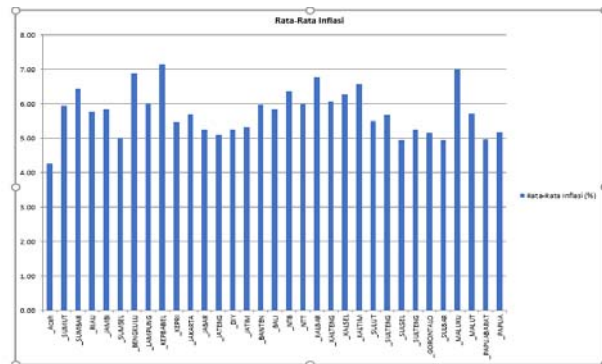**Figure 4. Labor Force in Indonesia year 2010 – 2015**
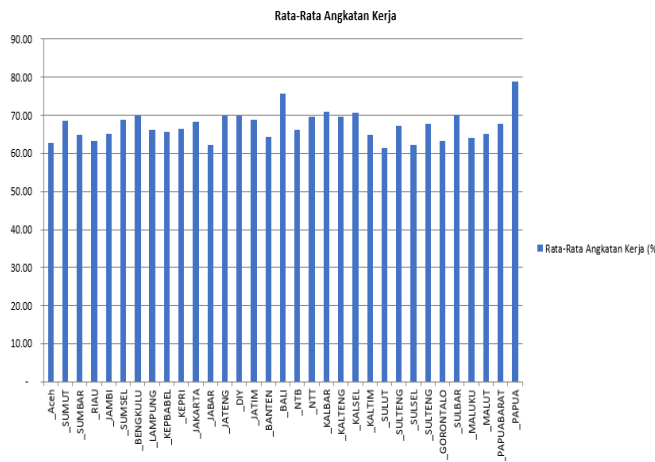
Source: BPS, (2016)

Provinces with the highest average labor force rate in Indonesia are Papua Province of 78.81% and the second highest is Bali Province of 75.75% followed by South Kalimantan Province of 70.61%.

e. Inflation

From the above figures, some provinces in Indonesia with the highest inflation rate are Bangka Belitung Province 7.15%, then in second place Maluku Province 6.99% and the third highest is Bengkulu 6.89% province which lowest is Aceh 4,27%.

Figure 5. Inflation in Indonesia year 2010 – 2015

Source: BPS, (2016)

f.   Capital Expenditure

Figure 6. Capital Expenditure in Indonesia year 2010 – 2015

Source: BPS, (2016)

Provinces with the highest average capital expenditure were Jakarta with Rp10.452.500.197,67 followed by East Kalimantan Province amounting to Rp2,258,875,426.67. The third highest is Aceh Province amounting to Rp1,980,495,756.83.

Analysis and Discussion

Testing Estimation Model

To be able to get an estimate, it is necessary to choose the best regression model. There are two stages in choosing the model: first compare the pooled model with fixed effect model, the second compare the fixed effect model with random effect model. In the first test phase Chow test, which aims to compare between pooled model with fixed effect model.

Table 1. Results of Model Selection Estimation of Common Effect vs Individual Effect

Method	Prob Chi-Square	Decision	Explanation
Chow-Test	0,0000	Ho unaccepted	*Fixed Effect*

Source: Data processed (2016)

From the above table the test using Chow test obtained results from chi-square probability value of 0.001 <0.05, so the above model is better to use estimation with fixed effect. The second test phase is to compare fixed effect with random effect, for that test using Hausman Test as in the table below:

Table 2. Fixed Effect Model Selection Results vs. Random Effect

Method	Prob Chi-Square	Decision	Explanation
Hausman-Test	0,1867	Ho accepted	*Random Effect*

Source: Data processed (2016)

By conducting the test using Hausman Test where the null hypothesis (H0) is a random effect model obtained the probability value of Chi square of 0.1867> 0.05. Thus the null hypothesis (H0) is accepted, so the better model used is the estimation by random effect.

Hypothesis Test

The table below shows the results of the regression equation, where the dependent variable is the poverty level with the independent variables namely: GRDP, labor force, UMR, inflation and capital expenditure.

Table 3. Estimation Result

Independent Variable	Coefficient	Std. Error	Prob
C	3.096	4.090	0.450
GRDP	-0.051	0.030	0.088
Labor Force	0.170	0.057	0.003
Minimum Reg Wage UMR	-0.000002	0.000	0.000
Inflation	-0.002	0.026	0.931
Capital Expenditure	0.000000000096	0.000	0.233
R-squared	0,253428		
Adjusted R-squared	0,233986		
F-stat	13,03508		
Prob F-stat	0,0000		

Source: Data processed (2016)

Determination Coefficient Analysis
From result of table 3 above, will be seen goodness of fit model with random effect method, got value from adjusted R-square equal to 0,233986 or 23,39%, it shows ability of all independent variable that is GRDP, labor force, UMR, inflation and capital expenditure in explaining the variation of the dependent variable i.e. the poverty rate of 23.39% while the rest of 76.61% is explained by other independent variables not included in the model.

a. F Test
The result of F test from table 3 above, shows significant value for F test is equal to 0,00000 <0,1 (alpha 10%). Thus can be stated, statistically independent variables GRDP, labor force, UMR, inflation and capital expenditures together affect the dependent variable poverty level.

b.   T Test

Individual or t-statistical tests and probabilities are used to test whether the regression coefficients differ individually and affect the dependent variable, based on the estimation results using the random effect method. In prescribing the decision to refuse or fail to reject Ho used alpha 10 percent (0.1).

1. Economic Growth Variables (GRDP)
The result of statistical test shows that the value of probability of economic growth (GRDP) is 0.088 <0.1 (α = 10%), it is concluded that null hypothesis is rejected. Thus it can be stated, statistically at the 90 percent confidence level there is a significant influence of GRDP on the level of poverty.

2. Variable Labor Force

The results of statistical tests show the magnitude of the probability value of the labor force of 0.003 <0.1 (α = 10%), then null hypothesis is rejected. Thus it can be stated, statistically at a confidence level of 90 percent there is the effect of the labor force on the level of poverty.
3. Regional Minimum Wage Variable (UMR)
The result of statistical test shows that the UMR probability value is 0.000 <0.1 (α = 10%), then the null hypothesis is rejected. Thus it can be stated, statistically at the 90 percent confidence level there is the effect of UMR on the level of poverty.
4. Inflation Variable
The results of statistical tests show the magnitude of inflation probability value of 0.931> 0.1 (α = 10%), then null hypothesis is accepted. Thus it can be stated, statistically at a 90 percent confidence level there is no effect of inflation on the level of poverty.
5.   Capital Expenditure Variable
The results of statistical tests show the magnitude of capital expenditure probability value of 0.233> 0.1 (α = 10%), then null hypotheses are accepted. Thus it can be stated, statistically at 90 percent confidence level there is no effect of capital expenditure on poverty level.

Conclusion and Advice

Conclusion

Based on the results of the above analysis it can be concluded several things as follows: (i). Regional Minimum Wages in Indonesia 2010-2015 have a negative and significant impact on poverty levels. This indicates that the poverty rate in Indonesia will decrease if the regional minimum wage of each province increases. Because of the higher minimum wage, people's lives will be better each month so that poverty will also decrease; (ii). Economic growth in Indonesia in 2010-2015 has a negative and significant effect on the poverty level. With increasing economic growth, the poverty rate will decrease. This shows that poverty rate in Indonesia will decrease if economic growth in every year also increases. Because of the faster economic growth, it will decrease the poverty level, especially accompanied by the uneven economic growth in every region; (iii). The labor force in Indonesia in 2010-2015 has a positive and significant effect on the poverty level. With the increase of the Labor force without being accompanied by increased employment opportunities, the number of unemployed will also increase so that the level of poverty will also increase; (iv). Inflation in Indonesia in 2010-2015 has negative and insignificant effect on poverty level. This indicates that the high or low inflation does not affect the level of poverty in Indonesia in 2010-2015; (v). Capital expenditure in Indonesia in 2010-2015 has a positive and insignificant effect on poverty level. Demonstrates that capital expenditures do not affect poverty levels in Indonesia during 2010-2015; (vi). Based on the results of the F test independent variables together significant effect on the dependent variable. And the magnitude of Adjusted R-square (R^2) is 0.233986. This shows the ability of independent variables (regional minimum wage, economic growth, labor force, inflation and capital expenditure) in explaining the variation of the dependent variable (poverty rate) of 23.39% and the remaining 76.61% is explained by other variables outside of this model.

Implication and Advice

Based on conclusions from the results of the discussion, the authors can provide suggestions implications as policy recommendations in order to reduce the level of poverty in Indonesia. From the results of the study of variables affecting poverty is the first, regional minimum wage, in which the minimum wage negatively affects the poverty

level for the government in reducing the poverty rate every year by increasing the minimum regional wage level of each province. The existence of a match between the minimum wage received with the needs of the community so that they can improve the welfare so that it will reduce poverty.

Secondly, economic growth has a negative effect on poverty level, so the policy implication in this research is the government must increase per capita economic growth every year with the increasing economic growth hence the level of poverty will decrease. Therefore, the government should pay attention to provinces that have high economic growth but also experience high poverty levels such as Papua province. One reason is the uneven economic growth in the region so that the poor did not feel economic growth.

Third, the labor force has a potent influence on the Labor force, so the implication in this policy is that the government is paying more attention to the Labor force who have not yet found employment or who are looking for work by providing employment opportunities to them. As the growing number of Labor force annually without being accompanied by increased employment will cause unemployment to increase poverty in Indonesia. In addition to open jobs the government can provide special skills training so that they can open their own jobs, as well as pay attention to the level of education in order to compete with good time looking for work. Can be seen from the statistics of high minimum wage and high economic growth is Papua Province should Papua have low level of poverty but in fact Papua occupy high level of poverty compared with other province. This is caused by high wages but the cost of basic needs is also high so the purchasing power is still low society. As for economic growth only reach the middle to upper economic class only, so that high economic growth is not felt by the middle-class economy down. High labor force is one of the causes of Papua having high poverty rates, this is due to the government's lack of attention to the level of education and provide employment opportunities to local indigenous people. So the wealth of Papua is more enjoyed by people who come from Papua due to the low education.

Therefore, the government must raise the regional minimum wage standard of each province, economic growth so that economic growth is not only enjoyed by the rich but also the poor also feel it. Give special attention to the Labor force community who are looking for jobs by opening employment and providing skills and education training so that they can open their own jobs, thus reducing the number of unemployed.

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