
The Effect of Real Wages and Economic Growth on Labor Absorption in The Review of Maqashid Syariah in Tanjungbalai City

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Abstract:

This study aims to analyze the influence of Real Wages and Economic Growth on employment absorption within the framework of Maqashid Sharia in Tanjungbalai City from 2014 to 2021. It employs secondary data obtained from the Central Bureau of Statistics of Tanjungbalai City, the North Sumatra Provincial Manpower Office, internet media sources, and other literature. The research methodology involves Multiple Linear Regression Analysis. The results indicate that the test results for variable X1 show a significant influence, while those for variable X2 do not. Overall, variables X1 and X2 collectively account for 74.4% of the total influence, with the remaining 25.6% attributed to other variables beyond the model.

Keywords: *Real Wage, Economic Growth, Labor Absorption, Maqashid Syariah, Tanjungbalai City.*

1. Introduction

Tanjungbalai City, situated in the province of North Sumatra, Indonesia, holds a significant historical and economic importance. With its strategic location along the Strait of Malacca, Tanjungbalai has long served as a bustling trading hub and port city. Its economic landscape encompasses various sectors, including fisheries, trade, and manufacturing, contributing to its status as an industrial city. However, amidst its potential, Tanjungbalai grapples with challenges such as economic growth issues, wage disparities, and infrastructure deficiencies.

In the realm of labor dynamics, the relationship between workers and employers is paramount. Labor, defined under Article 1 point 2 of Law No. 13/2003 on Manpower, encompasses individuals capable of producing goods or services to meet personal and societal needs, spanning civil servants, formal employees, and those yet to enter the workforce. The utilization of labor resources plays a pivotal role in national development, with population growth and the labor force historically recognized as catalysts for economic progress.

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Wages, as a key facet of employment relations, hold significant implications for labor motivation and productivity. Determined by various factors, wages not only reflect an employee's contributions but also influence turnover rates and overall organizational performance. The Tanjungbalai City Government's adherence to equitable wage policies underscores the importance of fostering fair labor practices conducive to mutual satisfaction between employers and employees.

Real wages, denoting the purchasing power of monetary compensation, serve as a barometer for evaluating labor remuneration and economic well-being. Within the Islamic economic framework, ethical teachings emphasize prompt and just wage disbursement, reflecting principles of social justice and human dignity (Nursini 2020). Additionally, economic growth, as measured by GDP expansion, stands as a pivotal indicator of a nation's economic performance, with implications for labor market dynamics and societal welfare (Suhaili & Sugihartono 2019).

However, economic growth does not invariably translate to enhanced labor absorption, necessitating a nuanced understanding of their interconnectedness. Scholars underscore the need to critically assess economic conditions vis-à-vis prevailing theories, particularly in the context of changing political and social landscapes (Barata 2019). A region's economic trajectory significantly influences labor absorption rates, with government intervention crucial in driving sustainable economic growth and employment generation (Wijaya et al., 2021; Song et al., 2019).

Labor absorption, denoting the rate of workforce engagement across various economic sectors, plays a crucial role in mitigating unemployment and fostering economic stability (Harahap dan Tambunan 2022; Surya et al., 2021). The employment process hinges on factors such as job availability, skill alignment, and sectoral trends, underscoring the multifaceted nature of labor dynamics.

Moreover, Maqashid Shari'ah, the ethical underpinning of Islamic economics, underscores the imperative of addressing socio-economic disparities and fostering inclusive growth (Hidayat & Fageh 2022). Rooted in principles of justice and human welfare, Maqashid guides economic policies aimed at eradicating poverty, promoting equitable development, and ensuring the welfare of all members of society (Yudha et al., 2020).

Against this backdrop, this research endeavors to explore the impact of real wages and economic growth on labor absorption within the framework of Maqashid Sharia in Tanjungbalai City. By delving into these interrelated dynamics, the study seeks to contribute to a deeper understanding of labor market dynamics and inform policy interventions aimed at fostering sustainable and inclusive economic growth.

2. Theoretical Background

Tanjungbalai City, situated in North Sumatra, Indonesia, boasts a rich history as a prominent trading center and port city owing to its strategic location along

the Strait of Malacca. With a diversified economy encompassing fisheries, trade, and manufacturing, Tanjungbalai has emerged as an industrial hub. However, despite its economic potential and natural allure, the city grapples with challenges such as economic growth disparities, wage equilibrium, and infrastructural deficiencies.

The concept of labor, as stipulated in Article 1 point 2 of Law No. 13/2003 on Manpower, encompasses individuals capable of contributing to the production of goods or services to fulfill personal and societal needs. This broad definition underscores the pivotal role of labor in fostering national development and economic growth. However, the labor force is heterogeneous, comprising educated, trained, and unskilled workers, each facing distinct challenges in securing employment opportunities.

Wage determination, a crucial aspect of labor relations, plays a significant role in enhancing labor quality and reducing turnover costs. Policies aimed at ensuring wage equity, such as those implemented by the Tanjungbalai City Government, aim to foster fairness in wage negotiations and promote mutual satisfaction among employers and employees. Real wages, indicative of the purchasing power of monetary compensation, play a vital role in enhancing workers' standard of living and driving economic growth.

Economic growth, as a fundamental indicator of economic performance, underscores the importance of analyzing regional development trends and their implications for labor dynamics (Rahman & Shiddiqui 2019; Feriyanto et al., 2020). While high economic growth typically correlates with increased labor demand, its impact on labor absorption varies, influenced by factors such as sectoral shifts and technological advancements. Government interventions aimed at stimulating economic growth, such as those outlined by Yanda et al. (2022), play a crucial role in addressing unemployment and fostering inclusive development.

Labor absorption, defined as the rate at which individuals secure employment opportunities commensurate with their skills and needs, reflects the interplay between labor supply and demand. Ensuring a conducive environment for labor absorption entails addressing issues such as skill mismatches and sectoral imbalances (Sa'diyah et al., 2020).

Maqashid Shariah, as a guiding principle in Islamic economics, underscores the imperative of addressing socio-economic disparities and fostering equitable development (Lesmana et al., 2021). Rooted in principles of justice and human welfare, Maqashid Shariah guides policy interventions aimed at

eliminating poverty, unemployment, and inequality, while promoting inclusive growth and prosperity for all members of society.

In summary, the interplay between real wages, economic growth, and labor absorption in Tanjungbalai City reflects broader socio-economic dynamics, shaped by regional development trends, government policies, and ethical considerations derived from Islamic teachings. Against this backdrop, the proposed research aims to explore the impact of real wages and economic growth on labor absorption within the framework of Maqashid Shariah, offering insights into strategies for promoting sustainable and inclusive development in Tanjungbalai City.

3. Methodology

This study employs a quantitative research approach utilizing secondary data. The data utilized comprises variables influencing labor absorption in Tanjungbalai City. Labor absorption, denoted by Y, serves as the dependent variable, while Real Wages (X1) and Economic Growth (X2) are considered independent variables. Data sources include the Central Bureau of Statistics (BPS), the Manpower Office of North Sumatra Province, as well as information gathered through internet searches and relevant literature.

To assess the impact of productivity, real wages, and economic growth on labor absorption in Tanjungbalai City, Multiple Linear Regression analysis is employed. Multiple linear regression involves the examination of more than one independent variable and aims to determine the direction and magnitude of influence each independent variable exerts on the dependent variable. The regression model can be expressed as follows:

$$Y = \alpha + \beta_1 X_{11} + \beta_2 X_{22} + e$$

Description:

Y = Number of Numbers in Labor

α = Constant

X_1 = Real Wages

X_2 = Economic Growth

β_1 = Real Wage Regression Coefficient

β_2 = Economic Growth Regression Coefficient

e = Confounding variable (*error*)

The study formulates the following hypotheses:

H₀ 1 = Real Wages have a significant effect on Labor Absorption

H_a 1 = Real Wage has no significant effect on Labor Absorption

H₀ 2 = Economic Growth has a significant effect on Labor Absorption

H_a 2 = Economic Growth has no significant effect on Labor Absorption

4. Empirical Findings/Result

Results

Partial Regression Test (T Test)

Partial regression coefficient testing aims to determine whether the regression model equation formed partially the independent variables (X_1 and X_2) have a significant effect on the independent variable (Y). The criteria used in accepting or rejecting the hypothesis are:

1. H_a is accepted if $t\text{-count} > t\text{-table}$, at $\alpha = 5\%$ and $p\text{-value} < \text{level of significance of } 0.05$.
2. H_a is rejected if $t\text{-count} < t\text{-table}$, at $\alpha = 5\%$ and $p\text{-value} > \text{level of significance of } 0.05$.

Table 7. Partial Test Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	48114,315	5100,662		9,433	,000
	UR	,013	,002	,876	7,201	,000
	PE	17,209	303,993	,007	,057	,955

a. Dependent Variable: AK

Source: Results of data processing through SPSS 26

The analysis conducted using the SPSS version 26 program yielded a t-value of 7.201 for the variable UR, with a corresponding probability value of 0.000. Considering a sample size of 32 degrees of freedom (df) and a confidence level of 0.05, the critical t-value from the t-table is 2.045. The test assessing the impact of real wages on labor absorption in Tanjungbalai city revealed a t-value of 7.201, which surpasses the critical t-value of 2.045, and a significant probability value of 0.000 (<0.05). These results indicate a statistically significant effect of real wages on labor absorption in Tanjungbalai city.

Utilizing the SPSS version 26 program, the analysis produced a t-value of 0.057 for the variable PE, accompanied by a probability value of 0.955. With a sample size of 32 degrees of freedom (df) and a confidence level of 0.05, the critical t-value from the t-table remains 2.045. Testing the influence of economic growth on employment in Tanjungbalai city revealed a t-value of 0.057, falling below the critical t-value of 2.045, and a non-significant probability value of 0.955 (>0.05). These findings suggest that there is no statistically significant effect of economic growth on employment in Tanjungbalai city.

Simultaneous Regression Test (F Test)

The F test aims to find whether the independent variables together (stimultan) affect the dependent variable. The F test was conducted to see the effect of all independent variables together on the dependent variable. The level used is 0.5 or 5%, if the significant value of $F < 0.05$, it means that the independent variable simultaneously affects the dependent variable or vice versa. Decision making seen from this test is

done by looking at the F value contained in the ANOVA table, the significance level used is 0.05. The provisions of the F test are as follows:

1. If the significant value of $F < 0.05$ then H_0 is rejected and H_1 is accepted. This means that all independent / free variables have a significant influence on the dependent / dependent variable.
2. If the significant value of $F > 0.05$ then H_0 is accepted and H_1 That is, all independent / free variables do not have a significant influence on the dependent / dependent variable.

Table 8. Simultaneous Test Results

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	823585169,093	2	411792584,54745,972		,000 ^b
	Residuals	259765450,907	29	8957429,342		
	Total	1083350620,000	31			

a. Dependent Variable: AK
b. Predictors: (Constant), PE, UR

Source: Results of data processing through SPSS 26

Based on the test results in table 2, it can be determined that H_0 is rejected and H_1 is accepted. This can be seen from the Sig. value is 0.000. Therefore the value of Sig. $0.000 < 0.05$, then according to the basis of the decision in the F test it can be concluded that the hypothesis that UR (X_1) and PE (X_2) simultaneously affect AK (Y).

Determination Coefficient Test

The coefficient of determination test is carried out to determine how much the endogenous variables are simultaneously able to explain the exogenous variables. The higher the R_2 value, the better the prediction model of the proposed research model. The coefficient of determination test (R_2) is carried out to determine and predict how much or important the contribution of the influence given by the independent variables together to the dependent variable. The coefficient of determination is between 0 and 1. If the value is close to 1, it means that the independent variables provide almost all the information needed to predict the dependent variable. However, if the value of R_2 is getting smaller, it means that the ability of the independent variables to explain the dependent variable is quite limited.

Table 9. Test Results of the Coefficient of Determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,872 ^a	,760	,744	2992,89648

a. Predictors: (Constant), PE, UR

b. Dependent Variable: AK

Source: Results of data processing through SPSS 26

The test results of the summary model have the use of knowing the relationship between two or more variables in the regression equation. Here what is seen is the R-Square value. The R-Square value in these results shows a value of 0.744 or 74.4%. This value means that the effect of UR (X_1), PE (X_2) on AK (Y) is 74.4%, the remaining 25.6% is influenced by other variables outside the model. The requirement

for the relationship between variables is good or not if the R-Square value is above 50%, it means it is good, if it is below 50%, it means it is not good.

5. Discussion

The Effect of Real Wages on Labor Absorption in Maqashid Sharia Review

Based on the partial test results on real wages in Tanjungbalai City, it is evident that they significantly influence the amount of employment in the city. The t-count value of 7.201 surpasses the critical t-table value of 2.045, with a significant probability value of 0.000 (<0.05). This indicates a substantial influence of real wages on labor absorption in Tanjungbalai City.

This finding is consistent with previous studies, such as that conducted by Pratama et al. (2020) showed a significant influence of real wages on labor absorption. Research by Jaya & Kholilah (2020) also supports this notion, demonstrating how an increase in real wages enhances the purchasing power of the community, leading to increased demand and subsequently higher labor absorption by companies. This increase in wage levels encourages entrepreneurs to expand their businesses, thereby increasing the number of job opportunities.

Examining the real wages from the perspective of Maqashid Sharia reveals its significance in various aspects. Firstly, Hifzdun Din (Maintaining Religion) emphasizes fulfilling religious obligations, acknowledging workers' roles as contributors to the socio-economy. Secondly, Hifzdun Nafsi (Preserving the Soul) underscores the importance of economic stability in ensuring workers' well-being and peace of mind. Thirdly, Hifzdun Mali (Guarding the Treasure) highlights the ethical responsibility of employers to provide fair wages and financial security to workers. Fourthly, Hifzdun Aqli (Guarding the Intellect) emphasizes the importance of continuous learning and skill development for workers' intellectual growth. Lastly, Hifzdun Nasali (Keeping Descendants) addresses the need for companies to support workers' families and provide educational opportunities for their children.

Research by Obiedat (2022) further emphasizes the importance of fair wages in Islam, citing the teachings of Ibn Taimiyyah regarding the rights of workers to timely and just compensation. Failure to provide fair wages is considered a grave sin in Islam, highlighting the ethical imperative of ensuring workers' rights are upheld.

The Effect of Economic Growth on Labor Absorption in the Maqashid Sharia Review

Based on the T-test results, economic growth in Tanjungbalai City was found to have a significant effect on employment levels, indicated by a t-count value of 0.057, which is less than the critical t-table value of 2.045. Additionally, the significant value of the t-test was 0.955, exceeding the alpha value of 0.05. These results suggest that economic growth does not significantly impact labor absorption in Tanjungbalai City.

This finding is consistent with previous research conducted by Ananda and Yuliana (2022) in their study titled "The Effect of Minimum Wage and Economic Growth on Industrial Sector Labor Absorption in Deli Serdang Regency." Their analysis revealed a non-significant effect of economic growth on labor absorption, with a t-count value of -0.361001 compared to the t-table value of 2.028, and a significant value of 0.7305, exceeding the alpha level of 0.05. Thus, the research hypothesis (H0) was accepted, indicating no significant influence of economic growth on labor absorption.

Failure to stimulate employment through economic growth can lead to issues such as unemployment and poverty, ultimately contributing to social instability. Conversely, a lack of labor absorption may hinder the process of achieving sustainable economic growth in the long term.

Examining economic growth through the lens of Maqashid Sharia reveals its implications across various dimensions. Firstly, Hifzdun Din (Maintaining Religion) underscores the importance of fulfilling religious obligations within economic growth endeavors. Secondly, Hifzdun Nafsi (Keeping the Soul) emphasizes the need for psychological well-being among individuals engaged in economic activities for sustainable growth. Thirdly, Hifzdun Mali (Safeguarding Treasure) highlights the ethical distribution of wealth and resources to ensure social justice and prosperity for all citizens.

Fourthly, Hifzdun Aqli (Guarding the Intellect) stresses the role of education and knowledge in fostering economic growth and human development. Lastly, Hifzdun Nasali (Keeping Descendants) underscores the importance of nurturing future generations to ensure societal stability and progress.

Research by Irwan et al. (2020) titled "Analysis of the Quality of Economic Growth of West Nusa Tenggara Province in the Perspective of Maqasyid Sharia" emphasizes the goal of achieving labor welfare through quality economic growth aligned with the principles of Maqashid Sharia. By prioritizing ethical values and justice in resource distribution, economic growth can lead to holistic benefits for individuals and society, both in this world and in the hereafter.

6. Conclusions

Based on the findings and discussions presented earlier, the research on the Effect of Real Wages and Economic Growth on Labor Absorption in the Context of Maqashid Sharia in Tanjungbalai City yields the following conclusions: The study confirms that Real Wages (X1) exert a significant influence on Labor Absorption (Y). This implies that variations in real wages impact the number of workers absorbed in the labor market. Contrary to expectations, the study rejects the notion that Economic Growth (X2) affects Labor Absorption (Y). The analysis indicates no substantial relationship between economic growth and labor absorption in Tanjungbalai City. The Tanjungbalai City Government should closely monitor regulatory developments and ensure compliance with established norms when determining workforce size,

economic growth targets, and real wage levels. It is imperative to establish real wage standards that adequately meet the needs of workers, thereby fostering their economic well-being. In the context of Maqashid Sharia, integrating ethical and moral considerations into economic practices concerning real wages and economic growth is paramount. Economic activities should align with Islamic principles, guided by the teachings of the Qur'an, to promote fairness, justice, and ethical conduct in all economic endeavors. This study focused solely on the influence of real wages and economic growth on labor absorption in Tanjungbalai City. Other potential factors influencing labor market dynamics, such as technological advancements, educational attainment, and demographic shifts, were not examined. The research was conducted within a specific geographical and socio-economic context, which may limit the generalizability of the findings to other regions or settings. Future studies should consider broader samples and diverse contexts to enhance the robustness and applicability of the findings. Future research endeavors could explore the mediating or moderating effects of additional variables, such as technological innovation or government policies, on the relationship between real wages, economic growth, and labor absorption. Comparative studies across different regions or countries could provide valuable insights into the varying impacts of real wages and economic growth on labor absorption within diverse socio-economic contexts. Additionally, longitudinal studies tracking changes over time could elucidate temporal trends and dynamics in labor market behavior.

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