

Analysis of the Influence of Economic Growth Rate, Education Level, and Minimum Wage Level on Labor Absorption in Mojokerto and Jombang Regencies

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ABSTRACT

Looking at the 2010–2024 timeframe, this study explores how economic growth, education levels, and the minimum wage shape labor absorption in both Mojokerto and Jombang Regencies. A quantitative approach was taken, relying on secondary time-series data from the Badan Pusat Statistik for those two regions. The analysis itself was carried out using multiple linear regression, with EViews 10 handling the computations. This contrast points to how local labor market traits and economic structures shape such varying outcomes. These findings lend theoretical support to the Solow-Swan and Keynesian frameworks, where labor absorption hinges on three things: the skill level of human resources, technological progress, and how much buying power the public holds. The hope is that local authorities will draw on this study when crafting sharper, more practical job policies.

INTRODUCTION

Regional economic development is a key indicator of the government's success in improving people's welfare. One of the main aspects of development is a region's ability to create jobs, thereby increasing labor absorption optimally. Indonesia, a developing country with the fourth-largest population in the world, faces significant employment challenges. A common issue is the rapid increase in the labor force, which is not matched by the number of available jobs. (Asmara et al., 2024).

Employment development is crucial for the nation, as it plays a vital role in achieving progress. Progress in the employment sector will positively impact labor protection. Indonesia, a densely populated country with a population of 278 million in 2023, ranks fourth in the world. This indicates that Indonesia's employment potential can be further enhanced through synergy across various sectors, supporting the country's vision of becoming a Golden Indonesia by 2045. (Ainun et al., 2023).

Several elements shape employment challenges in Indonesia, among them foreign capital, the state of investment climate protection, global market dynamics, bureaucratic conduct, and ongoing demands for higher wages (Nakertrans Magazine, 2004). The introduction of regional autonomy has also, in various respects, harmed the country's labor force. Other key drivers include persistent poverty, income inequality, the pace of economic growth, rising urbanization, and political instability all of which leave a strong mark on job prospects. (Sholeh, 2007). A key aim of national development is boosting economic performance so that jobs can be created and everyone can live decently. The broader mission is to achieve a prosperous Indonesia, where reducing unemployment stands out as a major target. Because most unemployment has already been lowered, it's clear that development has genuinely improved people's living conditions—and that, after all, is one of development's core purposes. (Sokian & Amir, 2020). Labor absorption is an important indicator because it shows how effectively the economy can absorb the available labor force. Economic growth is often associated with increased labor absorption, as expanding the workforce contributes to sustainable growth, job creation, and higher national income. However, declining absorption can harm competitiveness, reduce economic opportunities, and diminish people's quality of life. (Dirgantara & Santoso, 2024). Furthermore, productivity and labor quality are influenced by varying levels of education. An individual's education affects their work productivity, as education provides the necessary capital to enhance performance in roles that meet a company's criteria. Meanwhile, workers with higher education tend to receive higher wages. To be able to work effectively, a person must have a basic level of education, as higher education levels correlate with increased knowledge and skills, thereby improving their ability to perform. (Kusumanegara, 2022). Therefore, the influence of the economic growth rate, education level, and minimum wage level on labor absorption is an important issue in analyzing employment dynamics in Indonesia.

THEORETICAL REVIEW

Keynes' Theory

According to classical economic thought rooted in Keynes (1936), market mechanisms push an economy steadily toward a balanced state. When that balance occurs, full employment of all resources, including labor, follows. Hence, unemployment has no place in a market-based system. In classical economics, the term *labor supply* describes how much work an employer is ready to provide across different wage levels over a given timeframe. Under this framework, workers are viewed as free agents who can choose both whether to take a job and how many hours to put in. This perspective draws from consumer behavior theory, which assumes that people aim to get as much satisfaction as possible, but within the limits imposed by the constraints they encounter.

Income level and time limits can get in the way of achieving individual satisfaction through leisure or consumption, according to Becker (1976). Because work feels like a burden rather than a pleasure, people expect financial compensation in return for their labor. That means the individual's core decision boils down to choosing how many hours to work based on the wage they consider fair and the current price level as a practical answer to this everyday dilemma. (Sholeh, 2007).

The Marginal Physical Product (MPP) is simply the boost in total physical output that comes from adding one unit of a variable input, such as labor. And as Sholeh (2007) explains, this concept ties directly into labor demand through the value of the marginal product (VMP).

Solow-Swan growth theory

In the Solow-Swan framework, which falls under neoclassical growth theory, labor absorption essentially emerges from the interplay of labor demand and supply. This interaction establishes both an equilibrium wage and employment level. Meanwhile, the government steps in by educating or training workers, giving them the specific skills that industries require. Given limited employment opportunities, the government aims to create jobs that can help reduce unemployment in the community through the development of small industrial businesses (Pratiwi & Indrajaya, 2019).

Economic Growth Theory

In research by Pratiwi and Indrajaya (2019), Neo-Classical growth theory is viewed from a different perspective, namely in terms of supply. According to this theory developed by Abramovitz and Solow, economic growth depends on the development of factors of production. Increasing the economy's ability to produce goods and services is defined as economic growth. This serves as a reference for the extent of economic activity in producing additional population for the benefit of society, which is expected to enhance economic growth.

Educational Theory

According to Human Capital Theory, investing in human resources means expanding the pool of people who possess the education, experience, and skills necessary for a nation's economic and political progress. This kind of

human capital development focuses on supporting individuals and helping them evolve into creative, productive assets.(Dedi Julianto, 2018).

Becker (1976) conducted research on investment in human capital and its effect on income. In the study, Becker identified several phenomena, such as income increasing with age, with the increase being directly proportional to the individual's skill level. Individuals with expertise tend to have higher levels of education and undergo various types of training compared to those without skills. According to Becker, people who invest more in their own human capital tend to earn higher incomes. In human capital theory, scholars argue that a well-educated workforce is inherently more productive. This idea rests on the assumption that formal education is both essential and uniquely important for boosting a population's capacity and productivity. In other words, education counts as an investment in human capital because it raises workers' output and effectiveness by expanding their stock of economically valuable cognitive skills.

The provision of formal education is considered more valuable than physical capital by proponents of this theory. With formal education, a person will be more qualified, skilled and have a broader insight compared to those who are not educated, so that the opportunity to choose a job and be chosen by job seekers is greater, besides that a person who has education will look for a job and get an income that is appropriate to meet or exceed the needs of his or his family's life.(Dedi Julianto, 2018).

Wage Theory

In research (Azizi, 2022), neoclassical theory assumes that wages are determined by the demand for labor, which is represented by the value of marginal physical products. Neoclassical analysis views wages as determined by the interaction of demand (utility) and supply (cost of production) for labor. An important conclusion of neoclassical theory is that the economy is in equilibrium when full employment of labor is achieved.

The Relationship of Economic Growth to Labor Absorption

Economic growth, which increases annually, has led to higher employment levels. Empirical evidence supports Prasetya's (2021) claim that economic growth is essential for human development, making it a primary driver of societal improvement. Within this framework, employment becomes the main channel through which growth translates into stronger human capacities.

The Relationship of Education Level and Labor Absorption

How well someone gets absorbed into the workforce often depends on their educational background. More schooling tends to boost a person's competencies, skill set, and overall output. As Michael P. Todaro (2006) pointed out, the job market is strongly shaped by the level of formal education that workers pursue. One way to measure this is through the average length of schooling – basically, the average number of years people in a given area spend across all formal education levels. That figure serves as a proxy for a region's educational standing. Meanwhile, Silalahi et al. (2023) describe education as a type of human capital, one that reflects the quality of human resources. In this

sense, human capital represents the value or quality a person (or worker) brings, which in turn determines how productive they can be, especially when it comes to producing goods and services.

The Relationship Between Minimum Wage Levels and Labor Absorption

From two different viewpoints, the minimum wage shapes how many people get hired. On the employee's end, raising the minimum wage makes work more attractive people become more eager to look for jobs because the earnings seem fairer. Neo-Classical theory adds that a higher wage level will naturally draw more people into the labor market. But that very rise in labor supply brings its own problem: the income you give up when you choose free time over work. Labor is assumed to strive to maximize satisfaction, which is related to the income already earned. The employment decision for individuals will be influenced by wage levels. This means that if the income is relatively high, the worker will reduce the time allocated to work. (Borjas, 2020).

However, from the corporate perspective, a higher minimum wage has the potential to increase production costs. If wage increases are not offset by increased productivity, some companies may reduce their workforce or delay new hires to control costs. The connection between minimum wage and labor absorption isn't fixed it can be positive or negative depending on the situation. Key factors include economic conditions, industry structure, and company capacity. Take labor-intensive industries: raising the minimum wage there tends to cut down on hiring. But in higher-productivity sectors, the dampening effect on employment is generally far less pronounced.

Frame of Mind

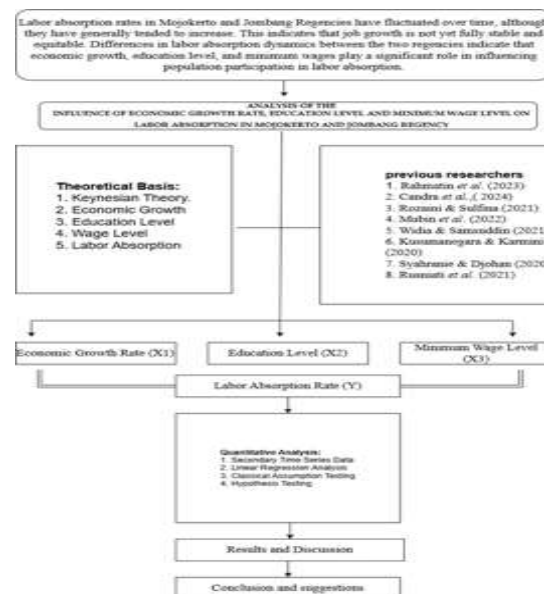


Figure 1. Frame of Mind

METHODOLOGY

Research Approach

In this study, a quantitative descriptive approach was used because the data was used in the form of numbers and displayed the results in the form of numbers. And if you use a quantitative approach, the results obtained will be more specific, clear, and detailed.

(Saputra, 2021) A theory containing variables that can be quantified and statistically tested sits at the heart of quantitative research into any social problem. Here, the goal is straightforward: using numerical data and statistical methods to check whether the theory's expected patterns or predictions are accurate.

Place and time of the research

In this study, the objects of Mojokerto Regency and Jombang Regency were used. Where the two districts are equally dominated by the sector and have different levels of labor absorption. The data used in this study uses a time period of 15 years, namely from 2010-2024.

Dependent Variables/Bound Variables

(Saputra, 2021) stating that the research variable is the characteristics and properties of an object observed in the research. In quantitative research, the relationship of variables to the object studied is because they are cause and effect related to independent and dependent variables. In this study, the bound or dependent variables analyzed are the Labor Absorption Rate in Mojokerto and Jombang Regencies. The data used is in the form of the Number of Labor Force based on districts/cities in East Java Province for the period 2015 to 2024, which is obtained from official data from the Central Statistics Agency (BPS).

Data Analysis Methods

This research relies on quantitative data to explore what drives changes in Labor Absorption, the dependent variable. The key independent variables considered are Economic Growth, Education Level, and the Minimum Wage Level. A multiple linear regression analysis, run with Eviews 10, was used to predict how the dependent variable behaves when two or more independent variables shift together. To make sure the data was reliable, the study included three diagnostic tests: the Normality Test, Multicollinearity Test, and Autocorrelation Test.

In addition, the study tested the coefficient of determination and tested the hypothesis. Meanwhile, the research model uses the regression model as follows:

$$PTK = \alpha + \beta_1PE + \beta_2TP + \beta_3TUM + e$$

Description :

PTK = Labor Absorption

PE = Economic Growth

TP= Education Level

TUM= Minimum Wage Rate

α = Constant

β = Coefisien Regresi

e = error

RESULTS

Multicollinearity Test

Table 1. Results of the Multicollinearity Test of Mojokerto Regency

Variance Inflation Factors
 Date: 02/22/26 Time: 14:43
 Sample: 2010 2024
 Included observations: 15

Variable	Coefficient Variance	Uncentered LIVE	Centered LIVE
C	4.65E+09	288.0317	ON
X1	5534369.	11.13250	1.202159
X2	50501902	207.4964	1.297638
X3	9145041.	12.98148	1.133066

Table 2. Results of the Multicollinearity Test of Jombang Regency

Variance Inflation Factors
 Date: 02/22/26 Time: 14:36
 Sample: 2010 2024
 Included observations: 15

Variable	Coefficient Variance	Uncentered LIVE	Centered LIVE
C	1005990.	315.1330	ON
X1	1106.222	9.221898	1.273260
X2	33967.84	680.6371	3.149274
X3	31218.71	386.6850	2.716059

The multicollinearity check on the two districts showed an independent variable VIF of less than 10.00. This result tells us the assumption holds, meaning the model successfully clears the multicollinearity requirement.

Normality Test

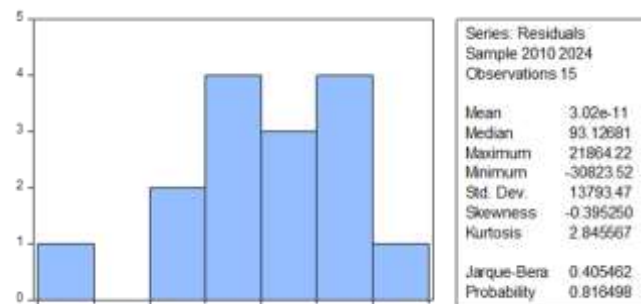


Figure 2. Results of the Mojokerto Regency Normality Test

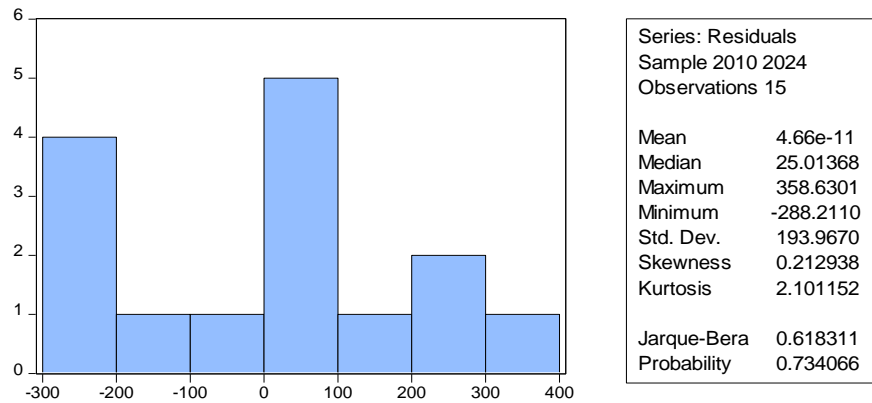


Figure 3. Results of the Normality Test of Jombang Regency

Based on the results of the normality test that has been carried out, the probability value of Jarque-Bera in Mojokerto regency is 0.405462 and Jombang regency 0.68311 is greater than 0.05. Because the probability value is greater than 0.05, it can be concluded that the residual data in the regression model of this study is normally distributed. Thus, the assumption of normality has been fulfilled so that the regression model used is worthy of further testing.

Heteroscedasticity Test

Table 3. Results of the Heteroscedasticity Test in Mojokerto Regency

Heteroskedasticity Test: Glejser		
F-statistic	1.013198 Prob. F(3,11)	0.4237
Obs*R-squared	3.247525 Prob. Chi-Square(3)	0.3550
Scaled explained SS	2.486927 Prob. Chi-Square(3)	0.4777

Table 4. Results of the Heteroscedasticity Test in Jombang Regency

Heteroskedasticity Test: Glejser		
F-statistic	0.809564 Prob. F(3,11)	0.5146
Obs*R-squared	2.712877 Prob. Chi-Square(3)	0.4380
Scaled explained SS	1.793880 Prob. Chi-Square(3)	0.6163

Using EViews 10 to test for heteroscedasticity, we found probability values of 0.3550 (Mojokerto Regency) and 0.4380 (Jombang Regency) for the independent variables. Because the total probability is greater than 0.05, the conclusion is that heteroscedasticity is not present in this regression model. Therefore, the homogeneity assumption is satisfied, and the model can be used for further work.

Autocorrelation Test

Table 5. Results of the Mojokerto Regency Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:		
F-statistic	0.614641 Prob. F(2,9)	0.5621
Obs*R-squared	1.802592 Prob. Chi-Square(2)	0.4060

Table 6. Results of the Jombang Regency Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:		
F-statistic	1.803210 Prob. F(2,9)	0.2195
Obs*R-squared	4.291171 Prob. Chi-Square(2)	0.1170

Based on the results of the tests that have been carried out, the probability value (Obs*R-squared) of Mojokerto Regency is 0.4060 and Jombang Regency is 0.1170. Because the probability value is greater than 0.05, it can be concluded that the multiple linear regression model in this study does not experience autocorrelation. Thus, the classical assumption of the absence of autocorrelation has been fulfilled and the regression model is feasible to use for further analysis

Mojokerto Regency Statistical Test

Coefficient of Determination Test (R2)

Determination Coefficient (R2) Test The determination coefficient (R2), is used to measure how much independent variables can explain bound variables.

Table. 7 Coefficient of Determination Test (R2)

R-squared	0.899868
Adjusted R-squared	0.872559
S.E. of regression	15561.13
Sum squared resid	2.66E+09
Log likelihood	-163.7459
F-statistic	32.95172
Prob(F-statistic)	0.000009

After running the heteroscedasticity test in EViews 10, the probability values for each independent variable came out as 0.3550 for Mojokerto Regency and 0.4380 for Jombang Regency. Since both values exceed 0.05, we can say the regression model shows no signs of heteroscedasticity. This means the classical assumption of homogeneity holds, so the model is suitable for continuing the analysis.

Test F

The F-statistical test is to test the influence of independent variables on the overall (simultaneous) non-independent variables.

Table 8. Test F

R-squared	0.899868
Adjusted R-squared	0.872559
S.E. of regression	15561.13
Sum squared resid	2.66E+09
Log likelihood	-163.7459
F-statistic	32.95172
Prob(F-statistic)	0.000009

The regression output shows an F-statistic of 32.95172 and a corresponding probability value of 0.000009. Since this probability falls below the 0.05 significance threshold ($0.000009 < 0.05$), we can infer that, taken together, Economic Growth, Education Level, and Minimum Wage Level significantly influence Labor Absorption in Jombang Regency.

T Test

The t-statistical test is used to test the influence of independent variables on partially independent variables.

Table. 9 T test

Dependent Variable: Y					
Method: Least Squares					
Date: 02/12/26 Time: 14:40					
Sample: 2010 2024					
Included observations: 15					
Variable	Coefficient	Std. Error	t-Statistic	Prob.	
C	83612.02	68189.22	1.226177	0.2457	
X1	1681.758	2352.524	0.714874	0.4896	
X2	60834.01	7106.469	8.560371	0.0000	
X3	-3551.871	3024.077	-1.174531	0.2650	

We ran a multiple linear regression on data from Mojokerto Regency covering 2010 to 2024 (15 observations in total), and the estimates produced the results below:

1. The Economic Growth Variable (X1) has a coefficient of 1681.758 with a t-statistical value of 0.714874 and a probability value of 0.4896. Because the probability value is greater than 0.05 ($0.4896 > 0.05$), it can be concluded that Economic Growth does not have a significant effect on Labor Absorption in Mojokerto Regency.
2. The Education Level variable (X2) has a coefficient of 60,834.01 with a t-statistic value of 8.560371 and a probability value of 0.0000. Because the probability value is less than 0.05 ($0.0000 < 0.05$), it can be concluded that the level of education has a positive and significant effect on the absorption

of labor in Mojokerto Regency. This shows that increasing the level of education is significantly able to increase the number of absorbed workers.

Looking at the variable Minimum Wage Level (X3), its coefficient stands at -3551.871, accompanied by a t-statistic of -1.174531 and a probability value of 0.2650. Given that the probability value is above the 0.05 threshold ($0.2650 > 0.05$), the finding suggests that the Minimum Wage Level has no meaningful effect on how much labor is absorbed in Mojokerto Regency.

Jombang Regency Statistical Test
Coefficient of Determination Test (R2)

Table. 10 Coefficient of Determination Test (R2)

R-squared	0.999987
Adjusted R-squared	0.999984
S.E. of regression	218.8243
Sum squared resid	526724.6
Log likelihood	-99.78195
F-statistic	291146.4
Prob(F-statistic)	0.000000

Based on the results of the regression estimate for Jombang Regency, the R-squared value was 0.999987 and the Adjusted R-squared was 0.999984. The R-squared value of 0.999987 shows that 99.9987% variation in Labor Absorption can be explained by variations in Economic Growth, Education Level, and Minimum Wage Rate in this study model. While the remaining 0.0013% is explained by other factors outside the model that were not studied in this study.

F Test

Table. 11 F Test

R-squared	0.999987
Adjusted R-squared	0.999984
S.E. of regression	218.8243
Sum squared resid	526724.6
Log likelihood	-99.78195
F-statistic	291146.4
Prob(F-statistic)	0.000000

The F-statistical value of 291146.4 with a Prob (F-statistic) of 0.000000 shows that simultaneously the variables of Economic Growth, Education Level, and Minimum Wage Level have a significant effect on Labor Absorption in Jombang Regency, because the probability value is less than 0.05.

T Test

Based on the results of the regression estimate for Jombang Regency with a total of 15 years (2010–2024), the following results were obtained:

1. Looking at the Economic Growth variable (X1), its coefficient sits at 1.618159, accompanied by a t-statistic of 0.048652 and a probability value of 0.9621. Since this probability value exceeds the 0.05 threshold ($0.9621 > 0.05$), we can say that Economic Growth does not significantly influence Labor Absorption in Jombang Regency. In other words, shifts in economic activity during the study period don't directly alter how many workers get hired in the region.
2. The Education Level variable (X2) has a coefficient of 121.1073 with a t-statistical value of 0.657107 and a probability value of 0.5246. Because the probability value is greater than 0.05 ($0.5246 > 0.05$), the level of education also does not have a significant effect on the absorption of labor in Jombang Regency. This shows that the increase in education level has not directly increased the number of workers absorbed during the study period.

With a coefficient of 100099.9, a t-statistic of 566.5340, and a p-value of 0.0000, the Minimum Wage Level (X3) variable shows a strong statistical signal. Because 0.0000 is below the 0.05 significance level, the minimum wage exerts a positive and significant impact on labor absorption in Jombang Regency. Essentially, any hike in the minimum wage is accompanied by a significant increase in labor absorption.

DISCUSSION

Based on the results of the study that was statistically analyzed using the multiple linear analysis method, the following are the results of a statistical test that illustrates the influence of the variables of Economic Growth, Education Level, and Minimum Wage (independent variable) on Labor Absorption (dependent variable) in Mojokerto and Jombang Regencies.

Table 12. Statistical Test Results of Mojokerto Regency and Jombang Regency

Dependent Variable: Y				
Method: Least Squares				
Date: 02/12/26 Time: 14:50				
Sample: 2010 2024				
Included observations: 15				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1579.109	1002.990	-1.574401	0.1437
X1	1.618159	33.25991	0.048652	0.9621
X2	121.1073	184.3037	0.657107	0.5246
X3	100099.9	176.6882	566.5340	0.0000

No	Variabel	Regency Name	Verdict
1.	Economic Growth Rate	Mojokerto	Not Influential

		Jombang	Not Influential
2.	Education Level	Mojokerto	Influential
		Jombang	Not Influential
3.	Minimum Wage Rate	Mojokerto	Not Influential
		Jombang	Influential

The Effect of Economic Growth Rate on Labor Absorption in Mojokerto Regency.

In Mojokerto Regency, economic growth turned out not to significantly influence job absorption, according to the study’s findings. This aligns with the Solow-Swan Growth Model, where growth depends not just on adding more workers but also on capital and tech progress. The rise in economic growth likely comes from sectors leaning heavily on capital and modern technology, meaning higher output doesn’t bring a proportional rise in employment. So, the study suggests that boosting economic growth by itself won’t do much for labor absorption unless more labor-intensive sectors are also developed.

Although post-pandemic, Mojokerto regency experienced a recovery with a growth of 3.56 percent in 2021, increasing to 5.52 percent in 2022, and again reaching a more stable level above 5 percent in 2023-2024. This indicates a strong economic recovery and the recovery of the industrial sector as the main contributor to GDP. However, even though Mojokerto Regency is known as one of the industrial growth centers in East Java, with a large contribution of the processing industry sector to the regional GDP.

The Influence of Education Level on Labor Absorption in Mojokerto Regency

Looking at the Education Level variable (X2), its coefficient comes out at 60,834.01, with a t-statistic of 8.560371 and a p-value of 0.0000. Since that p-value is below the 0.05 threshold ($0.0000 < 0.05$), we can say that education level positively and significantly influences labor absorption in Mojokerto Regency. This shows that increasing the level of education is significantly able to increase the number of absorbed workers. The results of this study are in line with the research conducted by (Candra et al., 2024) and (Kusumanegara, 2022) stated that the Education Level has a positive and significant influence on Labor Absorption.

In Mojokerto Regency, RLS increased from around 7.57 in 2010, 7.75 years in 2015 to 9.11 years in 2024. This increase shows that the average resident of Mojokerto has received education up to the end of junior high school or is close to completing high school. The steady increase every year reflects the improvement of educational facilities, the improvement of school quality, and the increase in local government programs in supporting 12-year compulsory education.

The Effect of the Minimum Wage Level on Labor Absorption in Mojokerto Regency

The study’s findings indicate that, for Mojokerto Regency, the minimum wage doesn’t really affect labor absorption in any meaningful way. If associated with Keynes' Theory, this condition shows that the demand for labor in the area is more influenced by the level of production and market demand than by

changes in wage levels. Mojokerto's economic structure, which tends to be dominated by the modern industrial sector and the use of technology, causes companies to be less sensitive to wage changes in determining the number of workers recruited. Thus, the increase in the minimum wage does not directly encourage a significant increase or decrease in labor absorption.

The Effect of Economic Growth Rate on Labor Absorption in Jombang Regency

According to the study's findings, economic growth in Jombang Regency does not significantly influence labor absorption. This outcome supports the Solow-Swan Growth Theory, where economic growth depends not just on labor force increases, but also on capital and technological progress. It seems that capital-intensive sectors relying on modern technology are the main drivers behind the economic growth uptick. As a result, output rises without any major jump in employment figures. In other words, it is not enough to increase labor absorption without the development of more labor-intensive sectors.

The Influence of Education Level on Labor Absorption in Jombang Regency

Based on the study, educational attainment doesn't significantly influence how much labor is absorbed in Jombang Regency. If associated with the Solow-Swan Growth Theory, this condition shows that the improvement of the quality of human resources through education has not been fully balanced with an appropriate employment structure. This means that even though the average length of community schooling has increased, the available job opportunities have not been able to absorb the workforce based on the level of education they have. In addition, there is a possibility of mismatch, namely the mismatch between education and skills possessed by the workforce and the needs of the job market, both in terms of expertise, education level, and practical skills needed by the business world. In Jombang Regency, having a higher education degree does not automatically guarantee workers a suitable job. As a result, even though educational levels have risen, this has not significantly boosted local labor absorption.

The Effect of the Minimum Wage Level on Labor Absorption in Jombang Regency

According to the study's findings, there is a positive and significant impact of the minimum wage on labor absorption in Jombang Regency. This supports Keynes' view that when people's income goes up, their purchasing power rises too, which in turn boosts demand for goods and services. The increase in demand encourages companies to increase production capacity and ultimately increase the number of workers. In the context of Jombang Regency, the increase in the minimum wage is suspected to be able to strengthen local community consumption so that it has a positive impact on the expansion of employment opportunities. Therefore, these results show that the minimum wage policy in Jombang is able to support increased labor absorption. This significant wage increase every year can provide an increase in welfare for workers, especially related to the fulfillment of basic living needs. High wage rates also illustrate the growth of the industrial sector that requires more skilled labor, so wages are more competitive.

CONCLUSIONS AND RECOMMENDATIONS

After analyzing how economic growth, education levels, and minimum wages affect labor absorption in Mojokerto and Jombang Regencies, several key findings emerged. Economic growth does not significantly influence labor absorption because it relies heavily on technology-driven industries, creating a jobless growth scenario. In Mojokerto, education level has a strong positive effect since the local industries demand highly educated workers; in Jombang, however, education shows no significant impact due to a mismatch between workers' qualifications and available jobs, with many graduates holding out for ideal positions. The minimum wage also plays differing roles: it has no major effect in Mojokerto, where industries are capital- and tech-intensive, but it significantly boosts labor absorption in Jombang by raising purchasing power, thereby increasing demand for goods and services and expanding job opportunities. Overall, how these variables affect employment depends heavily on each region's economic profile and industrial makeup.

FURTHER STUDY

As a follow-up to the results of the research, it is suggested that the Mojokerto Regency Government encourage more inclusive economic growth through strengthening the labor-intensive sector, improving the quality of vocational education and training according to industry needs, and building synergy with the business world and educational institutions to reduce *skill mismatch*, while the minimum wage policy is still carried out by considering the welfare of workers and business sustainability. In Jombang Regency, the government needs to expand employment opportunities through the development of the modern agricultural sector and the creative economy, align education with the needs of the world of work through training, internships, and certifications, maintain a proven positive minimum wage policy while still paying attention to the investment climate, and diversify the economic structure to make job opportunities more sustainable. For further research, it is recommended to add other variables such as investment, number of business units, and labor force participation rate, expand the scope of areas with different economic characteristics, and use more comprehensive analysis methods such as panel data regression so that the research results are more robust and able to capture long-term dynamics.

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