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THE EFFECT OF GROSS REGIONAL DOMESTIC PRODUCT (GRDP) AND MUNICIPAL MINIMUM WAGE (MMW) ON THE OPEN UNEMPLOYMENT RATE ACROSS REGENCIES/CITIES IN BALI

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Abstract

Unemployment remains a persistent economic issue in regional development, including in Bali Province. The Open Unemployment Rate (OUR) reflects imbalances between labor supply and labor demand, which are influenced by regional economic performance and labor market policies. This study examines the effects of Gross Regional Domestic Product (GRDP) and the Regency/Municipality Minimum Wage (RMW) on the Open Unemployment Rate across regencies and municipalities in Bali Province. This study employs a quantitative approach using panel data from nine regencies and municipalities in Bali Province over the period 2019–2023. Secondary data were obtained from the Bali Provincial Statistics Office (BPS) and analyzed using panel data regression. Model selection was conducted using the Chow test and the Hausman test. The results indicate that GRDP has a negative and statistically significant effect on the Open Unemployment Rate, indicating that higher regional economic output is associated with lower unemployment. In contrast, the minimum wage has a positive and statistically significant effect on the Open Unemployment Rate, suggesting a potential reduction in labor demand. Simultaneously, GRDP and the minimum wage jointly have a significant effect on the Open Unemployment Rate across regencies and municipalities in Bali Province.

Keywords: Open Unemployement Rate; Gross Regional Domestic Product; Minimum Wage; Panel Data; Regional Economy.

INTRODUCTION

Unemployment is a multidimensional phenomenon with serious social and economic implications, particularly among young age groups, both globally and nationally. Globally, unemployment is influenced by structural, frictional, and cyclical factors and is driven by economic changes, technological advancement, and labor skill mismatches, with young people accounting for the largest proportion of total global unemployment (Oshora et al., 2021; ILO, 2020). A similar condition occurs in Indonesia, where youth unemployment (aged 15–24 years) dominates overall unemployment levels due to limited work experience, skill mismatches, and the transitional dynamics from education to the labor market (Mahdi, 2021; Suhaeri, 2021).

In Bali, the province's strong reliance on tourism—which is highly susceptible to global economic fluctuations—combined with rapid digitalization, automation, and the effects of the COVID-19 pandemic, has intensified youth unemployment. While the open

unemployment rate has generally decreased in the post-pandemic period, this improvement does not yet fully indicate structural recovery, as critical economic factors such as GRDP growth and minimum wage regulations continue to play a major role in shaping labor demand. Therefore, investigating the interplay between economic growth, labor policies, and youth unemployment is essential for developing adaptive and sustainable policies in the context of ongoing labor market transformations.

Yanthiani (2023) notes that Gross Regional Domestic Product (GRDP) is one of the key indicators affecting the open unemployment rate. According to Okun's Law, there exists a significant negative relationship between unemployment and GRDP in a given region; specifically, a 1% rise in unemployment typically corresponds to a 2% reduction in GRDP, whereas a 1% increase in output can decrease unemployment by approximately 1%.

Spatially, Badung Regency has consistently recorded the highest GRDP over the past five years. In 2019, Badung's GRDP reached IDR 62,836.11 billion, declined sharply during the pandemic, and then recovered to exceed pre-pandemic levels, reaching IDR 68,399.54 billion in 2023. Denpasar City and Buleleng Regency have also made substantial contributions to Bali's GRDP, exhibiting relatively stable trends. In contrast, regencies such as Bangli, Klungkung, and Jembrana recorded lower GRDP values, reflecting regional economic structures that remain dominated by primary sectors and are less exposed to global economic fluctuations.

These GRDP fluctuations have had a substantial impact on labor market dynamics in Bali. During the 2020–2021 period, when GRDP contracted, the open unemployment rate rose sharply, particularly among young people aged 15–24 years who were newly entering the labor market. This condition reinforces the assumption that regional economic growth, as reflected in GRDP, has a negative relationship with unemployment, whereby increased economic output leads to higher labor demand. However, for GRDP growth to effectively reduce unemployment—especially among young people—it must be inclusive and target labor-intensive sectors that align with the characteristics and skills of the younger generation (Alfina, W. R. A., 2023).

Municipal minimum wage (MMW) policies also constitute a critical factor, as minimum wages that do not adequately reflect decent living needs or local labor market conditions may hinder the absorption of young workers, increase unemployment, and exacerbate socio-economic inequality. Inflation further affects the open unemployment rate across regencies/cities in Bali Province, as fluctuations in the prices of goods and services adjusted to tourism-related pricing lead to higher overall price levels (Raditya et al., 2024). This condition reduces local purchasing power and encourages firms to reduce hiring or scale down production capacity, ultimately increasing the open unemployment rate.

The minimum wage plays a central role in ensuring workers' welfare within society (Liu et al., 2023). Through the establishment of minimum wage standards, MMW ensures that workers receive adequate compensation to meet basic living needs, such as food, housing, healthcare, and education. Moreover, minimum wage policies contribute to social balance by reducing income inequality and ensuring a fairer distribution of value generated by firms. Workers who receive decent wages tend to be more motivated and productive, which in turn enhances product and service quality as

well as firm competitiveness. Furthermore, minimum wages help reduce workers' dependence on social assistance and preserve their dignity in the production process, thereby making a significant contribution to building a more equitable, productive, and economically sustainable society.

Theoretically, the open unemployment rate can be addressed through several approaches that focus on skill enhancement and labor policy adjustment. One such approach is human capital theory, which suggests that investment in education and training can improve workforce skills, making them more compatible with evolving labor market demands (Sari et al., 2025). Education aligned with technological and digital competencies is essential to narrowing skill gaps among young people, who are often trapped in low-wage employment due to insufficient qualifications. In addition, skill mismatch theory highlights that disparities between the skills possessed by young workers and those demanded by the labor market constitute a primary cause of open unemployment (Zhao et al., 2025). Therefore, skill training programs tailored to the needs of the digital industry and emerging sectors such as digital-based tourism and the creative economy are crucial for reducing open unemployment rates.

Based on the above background, this study aims to analyze the effects of GRDP and municipal minimum wages on the open unemployment rate across regencies/cities in Bali Province and to provide policy recommendations that may help reduce open unemployment in line with sustainable economic development efforts.

RESEARCH METHOD

This research utilizes a quantitative method with a descriptive-analytical design to investigate the impact of Gross Regional Domestic Product (GRDP) and Municipal Minimum Wage (MMW) on the Open Unemployment Rate (OUR) in Bali Province. The study employs secondary panel data, combining time-series data from 2019 to 2023 with cross-sectional data from nine regencies/cities in Bali, resulting in 45 observation units. The quantitative approach was chosen for its ability to measure relationships between variables objectively using statistical analysis and to enable generalization of the findings. The primary data were sourced from Statistics Indonesia (BPS) Bali Province and other relevant agencies concerning economic and labor-related variables (Irawati et al., 2021; Tanujaya, 2017; BPS Bali Province).

The object of the study focuses on three main variables: GRDP as an indicator of regional economic activity, MMW as the minimum wage standard for workers, and OUR as the dependent variable representing labor market conditions. GRDP is measured in rupiah at current prices on an annual basis, MMW is measured in rupiah per month according to local government regulations, and OUR is expressed as a percentage. This study aims to analyze both the relationship and the direction of influence of GRDP and MMW on OUR across regencies/cities in Bali. Data collection was conducted through non-participant observation by utilizing official documents, statistical reports, and scholarly literature to enrich the quantitative analysis context (Priadana & Sunarsi, 2021; Nurdiansyah & Rugoyah, 2021; BPS Bali Province).

The data analysis technique employed panel data regression with three alternative estimation models: the Common Effect Model, Fixed Effect Model, and Random Effect Model. The selection of the best model was determined using the Chow

Test, Hausman Test, and Lagrange Multiplier Test. Subsequently, multiple linear regression analysis was applied to examine the effects of GRDP and MMW on OUR, complemented by classical assumption tests, including normality, multicollinearity, and heteroskedasticity tests. Hypothesis testing was conducted simultaneously using the F-test and partially using the t-test, while the coefficient of determination (R^2) was used to assess the explanatory power of the independent variables in explaining variations in the open unemployment rate (Srihardianti et al., 2016; Padilah & Adam, 2019; Ahmad & Raupong, 2023).

RESULT AND DISCUSSION

Overview of the Research Location or Study Area

This study was conducted in Bali Province, which consists of nine regencies/cities and is characterized by an economy that is highly dependent on the tourism sector as the main driver of economic activity. Geographically, Bali occupies a strategic position and possesses well-developed tourism infrastructure; however, the contribution of Gross Regional Domestic Product (GRDP) across regions is uneven. Regencies such as Badung, Denpasar City, and Gianyar dominate GRDP contributions, while several other regencies remain largely reliant on the primary sector.

Statistics Indonesia (BPS) data for the 2019–2023 period indicate significant dynamics in both GRDP and the Open Unemployment Rate (OUR), particularly during the COVID-19 pandemic, which led to economic contraction and an increase in unemployment. Although economic recovery began to emerge in 2022–2023, disparities and upward trends in Municipal Minimum Wages (MMW) across regions potentially influence labor absorption. Therefore, Bali Province represents a relevant and appropriate study area for analyzing the relationship between GRDP and MMW and their effects on the Open Unemployment Rate.

Description of Research Variables

Open Unemployment Rate Across Regencies/Cities in Bali Province

Figure 1. Percentage of Open Unemployment Rate by Regency/City in Bali Province, 2019–2023

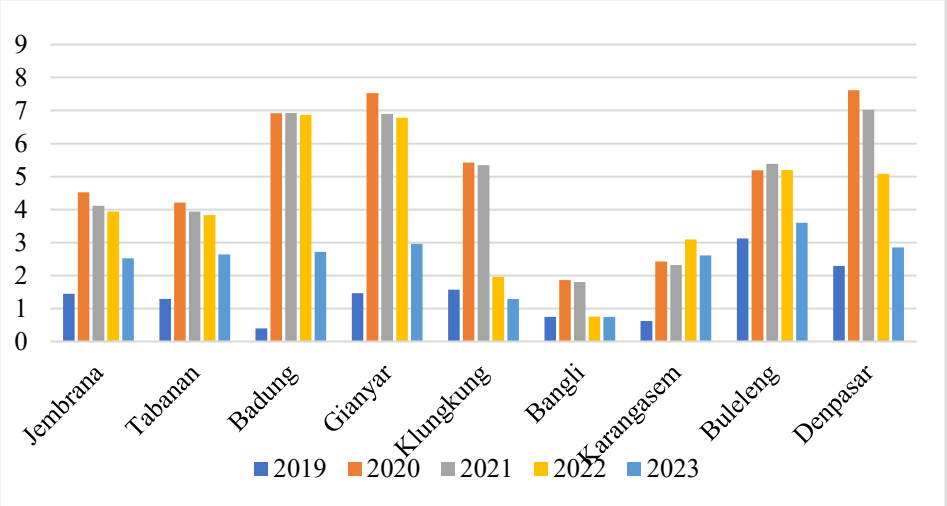


Figure 1 illustrates the trend of the Open Unemployment Rate (OUR) across nine regencies/cities in Bali Province during the 2019–2023 period. In 2019, the OUR was relatively low; however, it increased sharply in 2020 due to the impact of the COVID-19 pandemic, particularly in regions highly dependent on the tourism sector, such as Badung, Gianyar, and Denpasar. In 2021, the OUR in several regions remained at elevated levels, although a gradual decline began to emerge in some regencies. By 2022, the decrease became more widespread in line with the recovery of economic activities. In 2023, the downward trend continued, with noticeable variations in unemployment rates across regions, reflecting disparities in regional economic structures and differing levels of dependence on the tourism sector.

GRDP Across Regencies/Cities in Bali Province

Figure 2. Gross Regional Domestic Product (GRDP) of Regencies/Cities in Bali Province at Current Prices, 2019–2023 (Billion Rupiah)

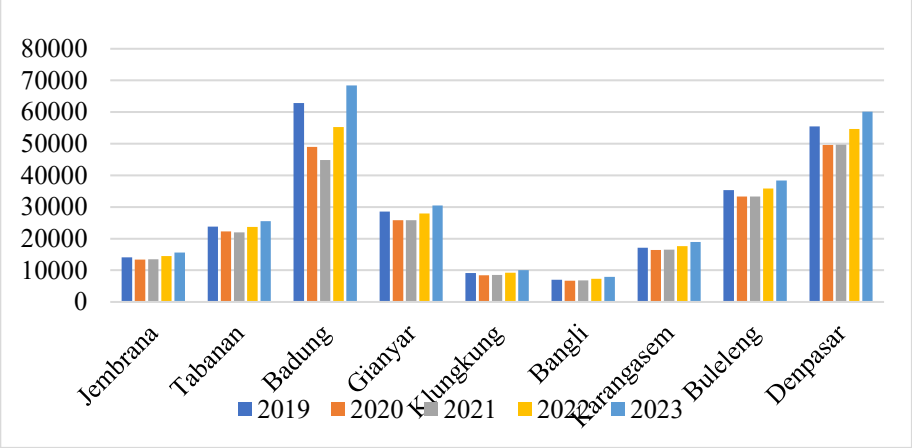


Figure 2 illustrates the development of Gross Regional Domestic Product (GRDP) at current prices across nine regencies/cities in Bali Province during the 2019–2023 period. Prior to the COVID-19 pandemic, Badung Regency and Denpasar City recorded the highest GRDP levels, while Bangli Regency exhibited the lowest. During 2020–2021, nearly all regions experienced significant GRDP contraction due to the pandemic, particularly areas with high dependence on the tourism sector, although initial signs of recovery began to emerge in 2021. Economic recovery strengthened further in 2022–2023, as reflected in increasing GRDP across all regencies/cities; however, disparities in regional economic capacity remained evident and form the basis for analyzing their relationship with the open unemployment rate and municipal minimum wages.

Municipal Minimum Wages Across Regencies/Cities in Bali Province

Figure 3. Municipal Minimum Wages (MMW) of Regencies/Cities in Bali Province, 2019–2023 (Rupiah)

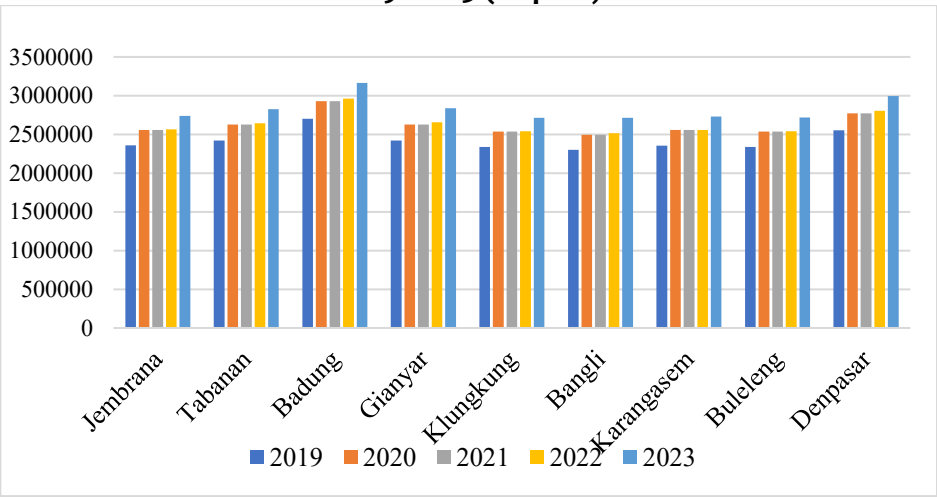


Figure 3 presents the trend of Municipal Minimum Wages (MMW) across regencies/cities in Bali Province during the 2019–2023 period. Overall, MMW levels exhibit an upward trend across all regions, although stagnation occurred during 2021–2022 due to the impact of the COVID-19 pandemic. Badung Regency and Denpasar City consistently recorded the highest minimum wages, in line with higher economic activity and living costs, while Bangli and Klungkung Regencies remained at the lowest levels. These interregional wage disparities reflect variations in regional economic structures and provide an important basis for analyzing the effect of municipal minimum wages on the Open Unemployment Rate (OUR) in Bali Province.

Panel Data Regression Analysis Results

1) Chow Test

Table 1. Results of the Chow Test

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	15.808070	(8,34)	0.0000
Cross-section Chi-square	69.827066	8	0.0000

Source: Data processed using EViews (2025)

Based on the results of the Chow Test, the Cross-section F value is 15.808070 with a probability (Prob.) value of 0.0000. Since the probability value is less than 0.05, the null hypothesis (H_0) is rejected and the alternative hypothesis (H_1) is accepted.

This result indicates that the Fixed Effect Model (FEM) is more appropriate than the Common Effect Model (CEM) for estimating the panel data in this study. In other words, there are significant differences across cross-sections (regencies/cities in Bali), and the use of fixed effects is better able to capture this heterogeneity.

2) Hausman Test

Table 2. Results of the Hausman Test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	100.081469	2	0.0000

Source: Data processed using EViews (2025)

The Hausman test (Chi-square = 100.081469, p = 0.0000) rejects H_0, indicating that the Fixed Effect Model (FEM) is more suitable than the Random Effect Model (REM) for capturing heterogeneity across Bali's regencies/cities.

Table 3. Results of the Panel Data Regression Analysis

Hypothesis Testing	Hypothesis	Final Decision
Uji Chow	Common Effect vs Fixed Effect	Fixed Effect
Uji Hausman	Random Effect vs Fixed Effect	Fixed Effect

Source: Data processed using EViews (2025)

Referring to Table 3, the Fixed Effect Model (FEM) was selected twice; therefore, the Lagrange Multiplier Test was not necessary. This is because the FEM had already been established as the most appropriate model for addressing the research problem in this study.

Results of Multiple Linear Regression Analysis

Table 4. Results of Multiple Linear Regression Analysis

Dependent Variable: Y
Method: Panel Least Squares
Date: 08/26/25 Time: 00:07
Sample: 2019 2023
Periods included: 5
Cross-sections included: 9
Total panel (balanced) observations: 45

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	184.8222	19.89685	9.289019	0.0000
LOG X1	-20.02177	2.090038	-9.579617	0.0000
X2	7.12E-06	1.23E-06	5.776857	0.0000

Effects Specification

Cross-section fixed (dummy variables)

Root MSE	0.860963	R-squared	0.835008
Mean dependent var	3.596222	Adjusted R-squared	0.786480
S.D. dependent var	2.143546	S.E. of regression	0.990493
Akaike info criterion	3.027360	Sum squared resid	33.35661
Schwarz criterion	3.468988	Log likelihood	-57.11559
Hannan-Quinn criter.	3.191994	F-statistic	17.20701
Durbin-Watson stat	2.431415	Prob(F-statistic)	0.000000

Source: Data processed using EViews (2025)

Based on the results of the multiple linear regression analysis presented in Table 4, the regression equation can be formulated as follows:

$Y = 184.8222 - 20.02177\ X1 + 7.12E\text{-}06\ X2 + e$……(3.1)

Based on the above multiple linear regression equation, the following interpretations can be made:

1. The regression equation indicates that the constant term of 184.8222 implies that if the independent variables GRDP (X_1) and Municipal Minimum Wage (MMW)

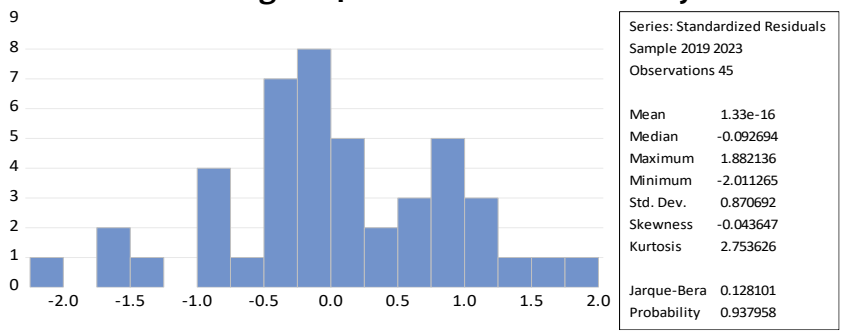
(X_2) are equal to zero, the Open Unemployment Rate (Y) is estimated to be 184.8222.

2. The GRDP variable (LOG_X_1) has a coefficient of –20.02177, which means that a 1 percent increase in GRDP will reduce the Open Unemployment Rate (Y) by 20.02177 units, assuming other variables remain constant.
3. The MMW variable (X_2) has a coefficient of 7.12E–06, indicating that a one-rupiah increase in the municipal minimum wage will increase the Open Unemployment Rate (Y) by 0.00000712, ceteris paribus.

Classical Assumption Test Results

1) Normality Test Results

Figure 4. Results of the Normality Test



Based on the results of the normality test shown in Figure 4, the probability value of 0.937958 is greater than the significance level (α) = 0.05. Therefore, it can be concluded that the residuals are normally distributed, indicating that the regression model is appropriate for further analysis.

1) Multicollinearity Test Results

Table 5. Results of the Multicollinearity Test

Variance Inflation Factors
Date: 08/26/25 Time: 00:06
Sample: 2019 2023
Included observations: 45

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
LOG_X1	4.368260	19983.80	1.160362
X2	1.52E-12	482.9867	1.160362
C	395.8845	18158.42	NA

Source: Data processed using EViews (2025)

Based on Table 5, the centered Variance Inflation Factor (VIF) values for the variables LOG X_1 and X_2 are both 1.160362, which are well below the tolerance threshold of 10. This indicates the absence of multicollinearity in the regression model, suggesting that the relationships among the independent variables are suitable for further analysis.

2) Heteroskedasticity Test Results

Table 6. Results of the Heteroskedasticity Test

Dependent Variable: ABSRES
Method: Panel Least Squares
Date: 08/25/25 Time: 23:58
Sample: 2019 2023
Periods included: 5
Cross-sections included: 9
Total panel (balanced) observations: 45

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.395996	9.281813	1.012302	0.3185
LOG X1	-1.138462	0.974996	-1.167658	0.2511
X2	1.01E-06	5.75E-07	1.755173	0.0882

Effects Specification

Cross-section fixed (dummy variables)

Root MSE	0.401637	R-squared	0.420448
Mean dependent var	0.680382	Adjusted R-squared	0.249991
S.D. dependent var	0.533540	S.E. of regression	0.462062
Akaike info criterion	1.502351	Sum squared resid	7.259037
Schwarz criterion	1.943979	Log likelihood	-22.80289
Hannan-Quinn criter.	1.666985	F-statistic	2.466598
Durbin-Watson stat	2.374462	Prob(F-statistic)	0.024279

Source: Data processed using EViews (2025)

The heteroskedasticity test using the Glejser method, as shown in Table 6, indicates that the probability values for LOG X_1 and X_2 are 0.2511 and 0.0882, respectively, both exceeding the 0.05 significance level. Thus, the regression model does not exhibit signs of heteroskedasticity. Although the Fixed Effect Model (FEM) theoretically permits differences in residual variance across cross-sectional units, the test results show no significant evidence of heteroskedasticity, suggesting that the model variables explain the variations fairly consistently across all observations.

Coefficient of Determination Test Results (R^2)

Table 7. Results of the Coefficient of Determination Test (R^2)

Dependent Variable: Y
Method: Panel Least Squares
Date: 08/26/25 Time: 00:07
Sample: 2019 2023
Periods included: 5
Cross-sections included: 9
Total panel (balanced) observations: 45

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	184.8222	19.89685	9.289019	0.0000
LOG X1	-20.02177	2.090038	-9.579617	0.0000
X2	7.12E-06	1.23E-06	5.776857	0.0000

Effects Specification

Cross-section fixed (dummy variables)

Root MSE	0.860963	R-squared	0.835008
Mean dependent var	3.596222	Adjusted R-squared	0.786480
S.D. dependent var	2.143546	S.E. of regression	0.990493
Akaike info criterion	3.027360	Sum squared resid	33.35661
Schwarz criterion	3.468988	Log likelihood	-57.11559
Hannan-Quinn criter.	3.191994	F-statistic	17.20701
Durbin-Watson stat	2.431415	Prob(F-statistic)	0.000000

Source: Data processed using EViews (2025)

Based on the results presented in Table 7, the R-squared value is 0.835008, and the Adjusted R-squared value is 0.786480. These values indicate that the regression model has a very good capability in explaining the variation of the dependent variable.

An R-squared value of 0.835008, or 83.5%, implies that 83.5% of the variation in the dependent variable (Y) can be explained by the independent variables (LOG X_1 and X_2) in the model. The remaining 16.5% is attributed to factors outside the model.

Meanwhile, the Adjusted R-squared value of 0.786480, or 78.65%, provides a more accurate measure of the contribution of the independent variables to the dependent variable after accounting for the number of independent variables in the model. Overall, these values indicate that the regression model is suitable and has strong predictive power.

Research Hypothesis Testing

Simultaneous Test (F-Test)

Table 8. Results of the Simultaneous Test (F-Test)

No	F-statistic	Prob(F-statistic)	Nilai Kritis
1	17.20701	0.000000	0.05

Source: Data processed using EViews (2025))

Based on Table 8, the calculated F value ($|F_a|$) is 17.20701, which is greater than the critical F value (F_t) of 3.220, with a probability of 0.000000, less than the significance level of 0.05. Therefore, the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_1) is accepted. This indicates that the variables GRDP (X_1) and Municipal Minimum Wage (X_2) simultaneously have a significant effect on the Open Unemployment Rate (OUR) across regencies/cities in Bali.

Partial Test (t-Test)

Table 9. Results of the Partial Test (t-Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	184.8222	19.89685	9.289019	0.0000
LOG X1	-20.02177	2.090038	-9.579617	0.0000
X2	7.12E-06	1.23E-06	5.776857	0.0000

Source: Data processed using EViews (2025)

Based on Table 9, the GRDP variable (X_1) has a probability value of 0.0000, which is less than the significance level of 0.05, with a calculated t value ($|t_a|$) of −9.579 greater than the critical t value (t_t) of 2.018. Therefore, the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_1) is accepted, indicating that GRDP (X_1) has a significant effect on the Open Unemployment Rate (OUR) across regencies/cities in Bali.

Similarly, the Municipal Minimum Wage variable (X_2) has a probability value of 0.0000, also less than 0.05, with a calculated t value ($|t_a|$) of 5.776 greater than the critical t value (t_t) of 2.018. Thus, H_0 is rejected, and H_1 is accepted, indicating that MMW (X_2) has a significant effect on the Open Unemployment Rate (OUR) across regencies/cities in Bali.

Discussion of Research Results

Simultaneous Effect of GRDP and MMW on the Open Unemployment Rate in Bali

The multiple linear regression F-test results reveal a probability value of Prob(F-statistic) = 0.000000 < 0.05, with a calculated F value of 17.20701 exceeding the critical F value of 3.220. Therefore, the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_1) is accepted, indicating that Gross Regional Domestic Product (GRDP, X_1) and Municipal Minimum Wage (MMW, X_2) simultaneously have a significant impact on the Open Unemployment Rate (OUR) across Bali's regencies and cities.

These findings suggest that both variables collectively play a significant role in explaining variations in OUR. In other words, changes in the open unemployment rate are influenced jointly by GRDP and MMW, highlighting their interactive effect on unemployment levels across Bali.

Partial Effect of GRDP on the Open Unemployment Rate in Bali

The t-test results show that Gross Regional Domestic Product (GRDP, X_1) has a significant negative impact on the Open Unemployment Rate (OUR) across Bali's regencies and cities, with a regression coefficient of –20.02177 and a probability value of 0.0000 (< 0.05). This indicates that a 1% increase in GRDP is associated with a potential 20.02177% decrease in OUR. These findings are consistent with Sintaman Olivia and Widanta (2023), who assert that economic growth enhances labor absorption and mitigates unemployment. Thus, rising GRDP reflects economic growth that plays a vital role in lowering the open unemployment rate in Bali Province.

Partial Effect of MMW on the Open Unemployment Rate in Bali

The t-test results for the Municipal Minimum Wage (MMW, X_2) show a positive regression coefficient of 7.12E–06, with a probability value of 0.0000 < 0.05 and a calculated t value ($|t_a|$) of 5.779 > t-critical (t_t) of 2.018. Based on these results, H_0 is rejected, and H_1 is accepted, indicating that MMW has a positive and significant effect on the Open Unemployment Rate in Bali's regencies/cities.

The positive regression coefficient implies that each one-unit increase in MMW leads to an increase in the OUR by 0.00000712 percent, assuming other variables remain constant. This suggests that rising MMW is associated with an increase in open unemployment, as some businesses are unable to adjust their labor cost structures to accommodate higher wage standards.

These findings are consistent with Ramadhan & Juanda (2022), who found that higher minimum wages can reduce labor absorption, especially in labor-intensive sectors, because increased labor costs prompt companies to reduce their workforce. The positive effect of MMW on unemployment has also been observed in several regions in Indonesia, including Bali.

However, these findings differ from studies suggesting that higher minimum wages can increase household purchasing power, thereby stimulating economic growth and employment opportunities. This discrepancy may be due to Bali's economic structure, which is heavily reliant on tourism, where many small and medium enterprises are unable to bear higher labor costs.

Thus, it can be concluded that increases in MMW in Bali's regencies/cities have a tangible effect on the rise of the Open Unemployment Rate. Setting higher minimum wages should be balanced with effective labor absorption policies to prevent negative consequences, such as increased unemployment.

CONCLUSION

Based on the analysis presented in the previous chapters, the following conclusions can be drawn:

1. Simultaneous Effect: Gross Regional Domestic Product (GRDP) and Municipal Minimum Wage (MMW) jointly have a significant effect on the Open Unemployment Rate (OUR) across regencies/cities in Bali. This indicates that the

dynamics of open unemployment in Bali are influenced collectively by regional economic growth and minimum wage policies.

2. Partial Effect of GRDP: GRDP (X_1) has a negative and significant effect on OUR. Higher economic growth, as reflected by increasing GRDP, corresponds to lower open unemployment rates, emphasizing the role of economic growth in creating new employment opportunities in Bali.
3. Partial Effect of MMW: MMW (X_2) has a positive and significant effect on OUR. This means that increases in minimum wage are associated with rising open unemployment, as some businesses are unable to adjust their labor cost structures to accommodate higher wage standards.

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