The effects of income policy on educated unemployment in Indonesia through trade openness

Amanus Khalifah Fil’ardy Yunus
Muhammad Yunus Zain
Rahmatia Yunus
Munawwarah S. Mubarak
Department of Economics, Faculty of Economics and Business
 Hasanuddin University, Indonesia

Keywords
Educated unemployment, trade openness, regional minimum wage, efficiency wage, Mundell-Fleming model

Abstract
This research is intended to know how much the influence of regional minimum wage on educated unemployment both directly and indirectly through trade openness in Indonesia. This research will also prove the truth of wage efficiency theory from new Keynesian economist and Mundell-Fleming model in Indonesia. The data used are secondary data that obtained from Statistics Indonesia. The unit of analysis is the panel data from 31 provinces in Indonesia (2006-2014). The method of analysis employed is the estimation method of simultaneous equation. The research findings indicate that income policy have not contributed to reducing educated unemployment but have been able to motivate workers to increase their productivity. This can be seen from the positive effect of regional minimum wage on trade openness. In addition, the results of this study have confirmed the efficiency wage theory of new Keynesian economists and the Mundell-Fleming model for the Indonesian case.