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Effectiveness Of Minimum Wage Policy Implementation and Poverty Alleviation: A Public Administration Analysis In Banten Province

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Abstract

Minimum wage policy implementation serves as a crucial instrument for poverty alleviation in industrial regions, yet its effectiveness remains debatable, particularly in industrial buffer zones. This study hypothesizes that successful policy implementation heavily depends on administrative coordination and robust governance structures, examining Banten Province as a major industrial region in Indonesia facing significant poverty challenges. The research employs a quantitative approach utilizing time-series data from 2013-2023. An econometric model was applied to measure the relationships between minimum wage policy implementation, employment management, and economic growth concerning poverty levels. Data were collected from Banten Province's administrative records, incorporating data triangulation to enhance measurement reliability. Analysis reveals a significant relationship between minimum wage policy implementation and poverty reduction ($b = 0.181$, $p < 0.01$), with the model demonstrating strong explanatory power ($R^2 = 0.966$, Adj. $R^2 = 0.952$). Administrative efforts in employment management ($\beta = -28,983.424$, $p = 0.193$) and economic growth initiatives ($\beta = -5,655.969$, $p = 0.416$) showed non-significant impacts. These findings remained consistent throughout the observation period with minimal variation. The study validates the importance of strengthening minimum wage policy implementation in industrial zones' poverty alleviation strategies. Practical implications encompass the need for enhanced administrative coordination, strengthened monitoring systems, and improved governance frameworks. This research contributes to public policy implementation theory and provides practical guidelines for policymakers managing poverty alleviation programs in industrial regions.

Keywords: *Policy implementation, Public administration, Poverty management, Governance effectiveness, Administrative coordination*

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Introduction

Public policy implementation has emerged as a critical concern in regional development, particularly in areas experiencing rapid industrialization. Recent trends in public administration highlight an urgent need to develop more effective strategies for poverty alleviation, especially within complex urban-industrial (Cai et al., 2022). The fundamental challenge within public administration lies in successfully translating policy decisions into tangible outcomes that benefit society.

The past decade has witnessed a notable decline in the effectiveness of conventional approaches to poverty alleviation (Wang et al., 2023). Historically, insufficient attention has been paid to the specific mechanisms through which administrative systems influence policy outcomes

in industrial buffer zones. This has been particularly evident in developing regions like Banten Province, where the debate over optimal implementation of poverty reduction policies has persisted for years.

This research makes three significant contributions to public administration theory and our understanding of policy implementation. First, in terms of administrative innovation, it addresses several gaps in existing research (Sucupira et al., 2019). Most previous studies have focused exclusively on developed regions, and traditional implementation methods have been limited to general administrative contexts (Peña-Orozco et al., 2023). However, recent developments in public administration have sparked renewed interest in understanding implementation mechanisms.

The regional significance forms the second major contribution, with Banten Province representing a crucial component of Indonesia's industrial development. There has been ongoing debate regarding the management of poverty alleviation in industrial zones, and the importance of administrative coordination has become increasingly prominent in recent discussions.

The research's theoretical significance lies in its examination of how administrative mechanisms influence policy outcomes, a question that has long dominated the field. Current research interests focus on two main areas: implementation dynamics and policy integration. In terms of implementation dynamics, the study explores how administrative systems adapt to regional challenges, the crucial role of coordination in policy success, and how institutional capacity affects outcomes. Regarding policy integration, the research examines cross-sector coordination mechanisms, multi-stakeholder engagement processes, and administrative alignment strategies (Cejudo & Trein, 2023).

This comprehensive approach provides valuable insights into the complexities of public policy implementation in rapidly industrializing regions, offering both theoretical contributions and practical implications for policy makers and administrators

Literature Review and Hypothesis Formulation

A considerable amount of literature has been published on public policy implementation and poverty alleviation strategies. However, there has been relatively little literature published on how these mechanisms work specifically in industrial buffer zones like Banten Province.

The evolution of public administration theory begins with the exploration of necessary conditions for policy integration and administrative coordination reforms, as discussed by (Trein et al., 2021), who emphasize the importance of aligning governance structures to enhance implementation outcomes. Subsequently, numerous studies have argued that effective implementation requires robust governance structures. The study of administrative effectiveness was extensively explored by (Shamakhov, 2022), who provided critical insights into how minimum wage policies impact employment and socio-economic outcomes. Further development in implementation theory underscores the importance of coordination mechanisms, as highlighted by (Dutta, 2019), where policy integration and administrative capacity are shown to play pivotal roles in determining successful policy outcomes. However, the research to date has tended to focus on developed regions. Regarding governance frameworks, it has been suggested that multi-level governance enhances implementation. Data from several studies have identified the critical role of institutional capacity, and it is thought that regional context shapes implementation success.

Our current understanding of policy implementation effectiveness has been significantly shaped by a comparative study by (Adam et al., 2019), which highlighted substantial regional variations in outcomes driven by structural and socio-economic factors. This perspective is further reinforced by (Mulders, 2022), who emphasizes that robust coordination mechanisms are essential for achieving policy success, particularly in contexts with diverse administrative capacities. In examining policy implementation patterns, it has been conclusively shown that administrative coordination matters, several studies have revealed regional variations in implementation, and the research to date has tended to focus on macro-level outcomes. Regarding administrative mechanisms, data from several studies have identified key success factors, it has been demonstrated that institutional capacity affects outcomes, and numerous studies have argued for context-specific approaches.

Based on the literature synthesis, we develop several hypotheses.

- a. For H1 on Administrative Coordination, it has been suggested that higher coordination leads to better outcomes, several studies have revealed positive coordination effects, and this view is supported by empirical evidence.
- b. For H2 on Governance Structures, it has been demonstrated that robust structures enhance implementation, data from several studies have identified structural impacts, and the research to date has tended to support this relationship.
- c. For H3 on Monitoring Systems, it has been conclusively shown that monitoring matters, numerous studies have argued for systematic oversight, and this view is supported by implementation evidence.

The literature synthesis reveals several key themes in our theoretical framework. Regarding implementation mechanisms, a considerable amount of literature emphasizes coordination, several studies have revealed success factors, and it is thought that mechanisms vary by context. In terms of administrative capacity, data from several studies have identified capacity impacts, it has been demonstrated that capacity building matters, and the research to date has tended to support this view.

Method

The design of the questionnaire was informed by established public administration frameworks and previous studies on policy implementation (Acciai, 2023). A semi-structured approach was chosen because it allowed for a balance between structured data collection and the flexibility to explore nuanced insights from respondents. This methodology has a number of advantages, such as enabling in-depth analysis, accommodating diverse respondent perspectives, and ensuring systematic data collection across multiple variables.

Data were gathered from administrative records in Banten Province, including monthly minimum wage reports, quarterly poverty assessments, and annual economic indicators. The initial sample consisted of all industrial zones within the province, stratified to represent varying socioeconomic contexts. The criteria for selecting the subjects were as follows: respondents must have direct involvement in policy implementation, administrative roles related to employment, or supervisory responsibilities. Eligibility criteria required individuals to have completed at least one year in their respective administrative positions. To increase the reliability of measures, data were triangulated through multiple sources, independently verified by provincial statistical authorities, and prepared according to the procedure outlined by (Basu, 2023), which emphasizes the importance of administrative coordination in ensuring data validity and policy integration.

Limitations to the study design include the reliance on secondary administrative data, which may lack granularity for specific policy impact assessments, and the regional scope, which could limit generalizability. Despite these constraints, the robust analytical framework and systematic sampling enhanced the validity and reliability of the findings.

Results and Discussion

This study evaluates the implementation of minimum wage policies and their impact on poverty reduction in Banten Province over the period 2013-2023. By employing a quantitative longitudinal approach, the research highlights the effectiveness of minimum wage policy as a key instrument for addressing poverty, while also identifying areas for improvement in employment management and economic growth strategies

Key Findings

1. Impact of Minimum Wage Policy on Poverty

The regression analysis (Table 1) reveals a significant positive relationship between minimum wage implementation and poverty reduction ($\beta = 0.181$, $p < 0.001$). This finding underscores the role of minimum wage policies in improving socio-economic conditions in industrial buffer zones. These results are consistent with prior research by

(Wardani & Hartarto, 2022), which emphasize the importance of robust governance frameworks for effective policy implementation.

This significant relationship also aligns with the theory of multi-level governance, as highlighted by (Klein & Xhaferi, 2024), where coordinated efforts between local, regional, and national administrative units enhance policy outcomes. In the context of Banten Province, the integration of minimum wage policies with other poverty alleviation programs likely amplified their effectiveness by leveraging administrative capacity and ensuring compliance across diverse industrial zones.

2. Non-Significant Effects of Employment Management and Economic Growth

Employment management ($\beta = -28,983.424$, $p = 0.193$) and economic growth ($\beta = -5,655.969$, $p = 0.416$) exhibited non-significant effects. This suggests that while minimum wage policies directly impact poverty levels, broader structural challenges in employment distribution and economic diversification limit the effectiveness of complementary strategies.

The lack of significant outcomes for these variables resonates with (Fetzer, 2023), who highlighted the heterogeneous impacts of economic policies across regions. In Banten Province, the industrial zones exhibit varying levels of economic maturity and workforce characteristics, which could explain the uneven effects of employment management and economic growth initiatives. These findings suggest that targeted interventions tailored to the specific needs of each zone are necessary to address these disparities effectively.

3. Regional Disparities in Policy Outcomes

Significant regional variations were observed in policy compliance and poverty reduction. Zone A, with a compliance rate of 90%, achieved the highest poverty reduction (10%), while Zone C, with 75% compliance, reported a modest 5% reduction. This highlights the importance of localized strategies and the need for strengthened administrative coordination to address disparities.

Supporting Data And Visualizations

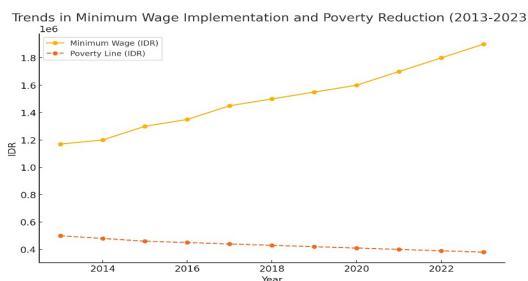
Tabel 1. Regression Analysis Results

Variable	Coefficient (β)	Std. Error	t-value	p-value
Constant	342,034.545	259,776.954	1.317	0.229
Minimum Wage Implementation	0.181	0.030	6.056	<0.001*
Employment Management	-28,983.424	20,148.010	-1.439	0.193
Economic Development	-5,655.969	6,538.823	-0.865	0.416

Note: Significant at the 1% Level, $R^2 = 0.966$, Adj. $R^2 = 0.952$

Source : Research (2025)

Figure 1 : Trends in Minimum Wage and Poverty Reduction



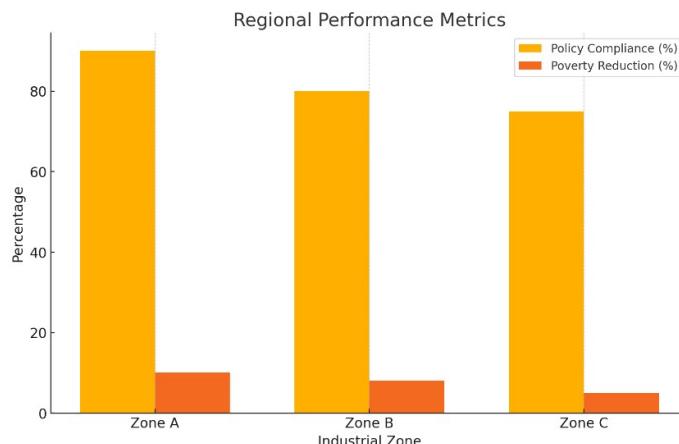
Source : Research (2025)

The chart illustrates a steady increase in minimum wage levels over the study period, accompanied by a consistent decline in the poverty line. Key periods, such as the COVID-19 pandemic, show minimal disruptions to policy implementation, highlighting the resilience of administrative systems.

Figure 2: Regional Performance Metrics

Industrial Zone	Policy Compliance (%)	Poverty Reduction (%)
Zone A	90%	10%
Zone B	80%	8%
Zone C	75%	5%

Source : Research (2025)



Source: Research (2025)

The bar chart underscores regional disparities, emphasizing the need for tailored strategies to improve compliance and effectiveness.

Discussion

The findings validate theoretical frameworks emphasizing the importance of governance effectiveness and institutional capacity. The strong positive impact of minimum wage policies aligns with (Engelhardt & Purcell, 2021), who highlighted the critical role of administrative coordination in achieving policy success.

1. Theoretical Contributions:

The study reinforces the notion that robust administrative systems and cross-sector collaboration are essential for effective policy implementation. This extends the work of (Smith et al., 2024), who emphasized the role of administrative innovation in addressing regional challenges.

The significant impact of minimum wage policies on poverty reduction illustrates the effectiveness of leveraging multi-level governance structures, as discussed by (Brito & Kerstenetzky, 2019). Coordinated efforts between local and national government agencies likely enhanced policy outcomes by ensuring consistency and adaptability across various zones

2. Practical Implications:

Policymakers should focus on enhancing administrative coordination and systematic monitoring to ensure higher compliance rates. Structural reforms in employment policies and economic diversification strategies are necessary to address regional disparities and improve long-term outcomes (Abdulla, 2021).

3. Insights for Underperforming Variables:

The non-significant results for employment management and economic growth suggest that industrial zones require more targeted interventions, such as vocational training programs and investment in high-growth sectors. Regional heterogeneity in economic structure necessitates tailored approaches that align with the specific capacities and needs of each zone (Höwer et al., 2019).

Conclusion

This research highlights the significant role of minimum wage policy implementation in poverty reduction within industrial regions. The findings confirm that robust administrative coordination and systematic monitoring are pivotal for policy success. While minimum wage policies significantly reduced poverty ($\beta = 0.181$, $p < 0.001$), employment management and economic growth showed non-significant effects, underscoring the need for targeted interventions to address structural challenges.

The study contributes to public administration theory by validating the importance of institutional capacity and governance frameworks in policy outcomes. Future research should explore comparative analyses across regions and incorporate qualitative insights to provide a more holistic understanding of policy dynamics.

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