ABSTRACT

This research aims to analyze the impact of minimum wages on firms productivity alongside firm and industry characteristic. As many debates among economist about the introduction of minimum wages policy, its impact on firm performance remains as a very under-studied area. Productivity as the key for economic performance and the importances of the food industry in Indonesian economy are the background of this research. This research using a quasi-experimental approach with two-step estimation which is the most applied approach in the previous studies, and use firm level data taken from Manufacture Firm Annual Survey Indonesia Statistics Agency for the year 2009 – 2014. The first step of estimation aims to compute firm productivity using Woolridge Productivity Estimator or one step Generalized Method of Moments (GMM) productivity estimator. The firm productivity computed from the first step was used for second step estimation using differences-in-differences (DiD) technique with separated period (that is 2010 – 2011, 2011 – 2012, 2012 – 2103, 2013 – 2014). From the findings, we confirm that the firm and industry characteristics are the determinant of firm productivity (that is firm size, market concentration, and firm location) for all the period, the minimum wages policy that re-introduce every year mostly affect firm productivity positively with an exception of 2012 – 2013 period where the global financial crisis hit Indonesian economy.

Keywords: firm productivty, woolridge productivty estimator, differences-in-differences, minimum wages policy