

ABSTRACT

Indonesia is a developing country with a low level of welfare, and Indonesia is a country experiencing problems in the lack of job opportunities provided by the government. Thus causing high unemployment and delays in the development process caused by the high rate of population growth in Indonesia so that it is not comparable with employment opportunities. So comprehensive and integrated policies are needed to expand employment opportunities involving various aspects such as directing investment, development oriented towards expanding employment opportunities and creating sustainable jobs. Development in the industrial sector is one of the efforts to expand and create sustainable jobs. The industrial sector is able to create and absorb more workers so that it can increase people's income in a country. Therefore this study aims to analyze the effect of wage and capital levels on employment in small fish processing industries in Demak Regency.

*This type of research is quantitative using primary data and secondary data. Primary data is obtained from respondents directly through filling out questionnaires related to small fish processing industries in Demak Regency, with a sample of 86 business units. The secondary data of this research were obtained from related institutions. The data used in this research is cross sectional data. The data analysis technique used is the method of multiple linear regression analysis of Ordinary Least Square (OLS) using the *t* hypothesis test and statistical *F* test.*

The results of this study indicate that labor absorption is influenced by wages and capital. Wages and capital simultaneously or simultaneously affect the absorption of labor for small fish processing industries in Demak Regency. 80 percent of the absorption of labor for small fish processing industries in Demak Regency is influenced by wages and working capital, while 20 percent is from other variables.

Keywords: *Labor Absorption, Labor Wages, Working Capital*