

ABSTRACT

The industrial sector is the sector with the largest contributor to GDP for Indonesia, therefore the manufacturing industry sector is considered the leading sector for other sectors and is expected to be an exit strategy in employment issues. However, the ability to absorb labor in the manufacturing industry is still below the agriculture and wholesale trade sectors. In small and micro industries the number of workers has decreased, so the purpose of this study was to analyze the demand for labor in small and micro industries in Indonesia.

This study uses a quantitative method with secondary data in the form of panel data, namely the combination of time series data, namely 2018-2021 and cross section data, namely 23 industrial subsectors, resulting in a total of 92 observations. The dependent variable used is the demand for labor while the independent variables are wages and output value.

The results of panel data regression using the Fixed Effects Model approach show that the output variable has a positive and significant effect on the demand for labor, while the wages and goods industry dummy variables have a positive but not significant effect on the demand for labor.

Keywords: Labor demand, output, wages, small, micro Fixed Effect Model.