

ABSTRACT

One indicator of the success of a country's economic development can be assessed by the number of employment opportunities created as a result of economic development. One sector that has great potential in economic development and increasing employment is the manufacturing sector. This study aims to analyze the factors that influence labor absorption of the manufacturing sector in 35 regencies/cities of Central Java Province in the period 2017-2021. The independent variables used in this study are the number of industrial companies, economic growth, regency/city minimum wage (UMK), and investment in the manufacturing sector. The data in this study were collected using the documentation method, while to determine the effect of each independent variable on the dependent variable, the panel data regression analysis method with the Fixed Effect Model (FEM) approach was used. The results of this study show that the variables of the number of industrial companies, economic growth, and investment have a positive and significant effect on labor absorption of the manufacturing sector in 35 regencies/cities in Central Java Province. Meanwhile, the minimum wage has a negative and no significant effect on labor absorption of the manufacturing sector in 35 regencies/cities of Central Java Province.

Keywords: *Labor Absorption, Manufacturing Industry, Minimum Wage, Economic Growth, Investment*