

ABSTRACT

The manufactur industry is a potential sector in Indonesia. The huge potential of the manufactur industry in Indonesia can be seen from its contribution which increases every year. Changes in wages due to an increase in wages will affect labor absorption in the manufactur industry sector. This research aims to analyze the multiplier effect of changes in wages on the output of the manufacturing industry sector in Indonesia, the multiplier effect of changes in wages on the creation of workers in the manufactur industry sector in the Indonesian economy, the multiplier effect of changes in wages on household income in the manufactur industry sector in the Indonesian economy, and the interrelationships between sectors that have both forward and backward influence on the manufactur industry.

The analytical method in this research is Input-Output analysis, by classifying economic activity into a matrix of 108 and 17 sectors from an aggregation of 185 sectors for 2016 Indonesian input-output data. This research analyzes: (i) the multiplier effect of changes in wages on output in the sector manufactur industry in the Indonesian economy, (ii) the multiplier effect of changes in wages on employment opportunities in the manufactur industry sector in the Indonesian economy, (iii) the multiplier effect of changes in wages on income in the manufactur industry in the Indonesian economy, (iv) linkages between sectors that have a good influence forward and backward in the manufactur industry.

The results of the analysis indicate firstly, the highest figure as a result of the increase in wages on output is represented by the basic chemical sector except fertilizer (sector 46), the increase was IDR 1,111,542.00. Second, labor absorption in the manufactur industry sector (sector 3-94) increased by 4,938 people due to changes in wages. Third, the highest figure as an increase in wages resulted in an increase in household income in the yarn sector (sector 27) amounting to IDR 114,130.00. Fourth, the backward linkages in the manufacturing industry sector (sector 3-94) seen in the goods sector resulting from other manufactur industry (sector 93) are greater than the forward linkages with a backward linkage value of 1.629266 and 1.090697 for the linkage forward.

Keywords: Manufactur Industry Sector, Wage Changes, IO Analysis, Indonesia