

ABSTRACT

The issue of labor absorption often reflects the economic conditions of a region and the challenges it faces. The industrial sector economy of Banten Province has experienced an increasing trend during the study period. However, this growth has not been followed by an increase in labor absorption, leading to stagnant employment levels in Banten Province during the study period. This study aims to analyze the effect of the Regency/City Minimum Wage, Gross Regional Domestic Product (GRDP) of the industrial sector, the number of companies, and inflation on labor absorption in medium and large industries in Banten Province from 2012 to 2021.

This research employs panel data regression analysis using the Common Effects Model (CEM) approach, processed with Eviews. The data used are secondary data obtained from the Central Statistics Agency (BPS) of Banten Province and official publications related to industry and employment. Descriptive statistical analysis is used to describe the characteristics of the data, followed by classical assumption tests to ensure that the model meets the Best Linear Unbiased Estimator (BLUE) criteria.

The results indicate that UMK has a negative and significant effect on labor absorption, meaning that an increase in UMK can reduce the number of workers absorbed in the industrial sector. Conversely, the GRDP of the industrial sector and the number of medium and large industries have a positive and significant effect, indicating that industrial economic growth and an increase in the number of industries drive job creation. Meanwhile, inflation is also found to have a positive effect on labor absorption, which can be interpreted as an increase in inflation driving greater production activity, thereby increasing the demand for labor. Based on these findings, balanced policies between worker welfare and industrial sustainability are needed to enhance labor absorption in Banten Province.

Keywords: Labor Absorption, Minimum Wage, Industrial Sector GRDP, Number of Industries, Inflation.