

## ABSTRACT

Labour absorption is one of the important issues in the Indonesian economy, given the high demand for jobs in line with the growth of the productive age population. Previous studies have analyzed factors such as the Human Development Index, provincial minimum wages, and foreign direct investment. However, studies on the role of Islamic finance in promoting employment are still very limited, even though this sector has great potential in supporting productive financing. This study aims to analyze the effect of human development index, Islamic financing, minimum wages, and foreign direct investment on labor absorption Indonesia using a fixed effect panel data regression model with GLS estimator in 33 provinces during the period 2018–2024. The results show that Human development index, Islamic financing, and foreign investment have a positive and significant effect on employment. Meanwhile, the wage variable was not found to have a significant effect on labor absorption in Indonesia. These findings indicate that improving the quality of human development, strengthening access to Islamic financing, and attracting foreign investment can boost employment opportunities. Conversely, an increase in the minimum wage does not directly increase labor absorption.

**Keywords:** *Human Development Index, Islamic financing, labour absorption, minimum wage, foreign direct investment*

