

ABSTRACT

The manufacturing sector is a key contributor to employment and economic activity in Indonesia, yet labor productivity in the sector remains relatively low compared to other ASEAN economies. This study examines the effects of export status and capital intensity on labor productivity in Indonesian manufacturing firms and assesses whether capital intensity moderates the relationship between exporting and productivity, with particular attention to differences across manufacturing subsectors. The analysis is based on firm-level panel data from the Large and Medium Manufacturing Survey (Survei Industri Besar dan Sedang, IBS). Estimation is conducted using a Fixed Effects Mode. The main explanatory variables include export status, capital intensity, and their interaction, while wages, firm size, research and development activities, and foreign ownership are included as control variables. The results indicate that capital intensity has a positive and statistically significant effect on labor productivity at the aggregate manufacturing level, whereas export status alone does not have a significant impact. The interaction between export status and capital intensity is generally insignificant across subsectors. However, in the chemical manufacturing subsector (KBLI 20), a positive and significant interaction is observed, suggesting that the productivity benefits of exporting are realized only by firms with sufficiently high capital intensity. These findings highlight the importance of capital deepening in shaping labor productivity outcomes within export-oriented manufacturing firms

Keywords: Labor Productivity, Export, Capital Intensity, Manufacturing Industry, Panel Data.

JEL Classification: J24, L60, F14