

ABSTRACT

The economic structure in Indonesia has changed from Secondary-Tertiary-Primary to Tertiary-Secondary-Primary. While, absorption of labor structure in Indonesia has a Tertiary-Primary-Secondary patterns. The economic situation in Indonesia is still less balanced between changes in economic structure and absorption of labor between sectors. Furthermore, it will has an impact on the welfare in Indonesia. This research aims to analyze 1) the effect of change of economic structure on absorption of labor structure and the social welfare in Indonesia, 2) the effect of the absorption of labor structure on social welfare in Indonesia, and 3) to analyze the effect of the change of economic structure on the social welfare through the absorption of labor structure in Indonesia.

This research uses secondary data consist of 33 provinces of Indonesia on cross section data and 2011 up to 2016 on time series data. Data analysis is conducted by path analysis with intervening variable using IBM SPSS Statistic 23.

The results of this research show that the change of economic structure has a negative and significant effect on absorption of labor structure in Indonesia. The changes of economic structure has not significant effect on social welfare in Indonesia. The absorption of labor structure has a positive and significant effect on social welfare in Indonesia. The changes of economic structure has a negative indirectly affect and significant to the social welfare through the absorption of labor structure in Indonesia. The absorption of labor structure as an intervening variable has not to mediate the relationship between changes of economic structure and social welfare. The process of structural economic transformation in Indonesia is not followed by the absorption of labor structure in 2011-2016. It's caused by the absorption of labor in non primary sector is concentrated in Jawa and Bali only. Thus, development inequality occurs between provinces in Indonesia.

Keyword: Structural Change Economics, Labor Absorption, Social Welfare, Path Analysis.