ABSTRACT

Manufacturing industry is one of the sectors that contributes importantly toward national development. This sector provides a substantial contribution in value-added and labor absorption. This research aims to analyze the demand of labor in the medium and large manufacturing industry within the period of 2000-2010. This research uses panel data approach including 21 sub-sector industry based on 2-digit ISIC. Furthermore, Fixed Effect Least Squares Dummy Variable (LSDV) regression method was applied in this study. The results of estimation show that output, capital, wage and number of firm have positive and significant influence toward demand of labor in the medium and large manufacturing industry in Indonesia.

Keywords: Labor demand, output, capital, wages, number of firm, FE-LSDV.