

Abstract

The industrial sector is the most dominant sector in Indonesia, but the employment of it's sector is lower than the agricultural sector and trade sector. The aim of this research is to analyze the affect of industrial sector GDP, real wages, real interest rates and the number of business units to labor in large and medium manufacturing industry and to find the most affecting variable.

The methods that used is Ordinary Least Square model (OLS), using secondary time series data from 1990-2008 which sourced from the Badan Pusat Statistik (BPS) and the World Bank.

The results of data analysis showed there were no multicollinearity problems, heterocedastity and autocorrelation. T test results showed that GDP of industrial sector is significant and positive, real wages are significant and positive, real interest rates is not significant and the number of business units is not significant also. From those variables, the real wage variable is the most affecting variable of all. In the F test, GDP of industrial sector, real wages, real interest rate and number of business units showed a significant effect on employment absorption in manufacturing sector of large and medium in Indonesia with coefficient value 0,899.

Keywords: employment, GDP of industrial sector, real wages, real interest rates, the number of business units.